

# Herefordshire Council Statement of Accounts 2023/24

(Subject to audit)



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# Narrative report



## Foreword from the Chief Executive

In my third year as Chief Executive, Councillors and staff have continued to work together to deliver improvements against our corporate priorities: strengthening the local economy, supporting vulnerable adults and children and helping residents, businesses and communities respond to a challenging national economic environment.

The council reached a historic milestone on 1 April 2023: celebrating 25 years of serving residents, businesses and communities across Herefordshire. I would like to thank all of our Councillors, staff, partners and communities for their contribution and effective collaboration throughout the last year and the two and a half decades since the council was established.

In February 2023, Council approved its budget for 2023/24 and performance against the 2023/24 budget is set out in this Statement of Accounts and the revenue outturn report presented to Cabinet. Our robust financial forecasting and reporting arrangements identified budgetary pressures, resulting from unprecedented increases in demand for social care, early in the financial year. Additional expenditure controls and management recovery actions implemented during 2023/24 have had a positive impact on the final outturn position; reducing the forecast overspend to £8.7 million, representing 4.5% of our budget.

We continue to manage our budgets as efficiently and effectively as possible and Councillors and staff have worked together to deliver improvements against our corporate priorities. In addition to ensuring we continue to respond to the growing number of increasingly complex cases for our vulnerable residents, we remain focused on providing good quality core services. Some notable successes in 2023/24 included:

- We have continued to make progress towards improvements in Children's Services focusing on actions to respond to the findings of Ofsted monitoring visits in the year and strengthening service delivery with a range of practice improvements, as part of learning from our long-term partnership with Leeds City Council.

- The council's bid for a new special school for children and young people with special educational needs and disabilities (SEND) has been approved by the Department of Education. The new special school will build up to a provision for 80 children and young people with complex autism and severe learning difficulties.
- We provided increased support to recognise the impact of the increasing cost of living on residents and businesses across the county: providing financial support to around 11,500 households through the Council Tax Reduction scheme, supporting a range of people through flexible use of the Household Support Fund and delivering a programme of free activities during school holiday periods through the Holiday Activities Fund.
- Our adult social care service continued to work closely with our health colleagues to manage effective discharge from hospital and more broadly to respond to people with care and support needs.
- In November 2023, the council joined together with three neighbouring English and Welsh authorities to form the Marches Forward Partnership. This will provide opportunities for collaboration across shared issues and interests; to apply for joint funding from government and unlock investment on major projects which cross national boundaries.
- The council remains committed to delivering improvements to help protect and restore the health of rivers in the county; working with partners across environment and agricultural sectors to identify short and long term responses and solutions.
- We have continued to invest in our staff through the development of the workforce strategy, to ensure we have the skills and capabilities we need to deliver services in new ways for the future.

Looking forward to 2024/25 and beyond, the council has set a balanced and realistic budget which is supported by robust financial controls and monitoring arrangements. We will continue to strengthen the council's financial resilience to enable improvements in service delivery and to support the vision of the Council Plan 2024-2028 across its key priorities of People, Place, Growth and Transformation.

**Paul Walker, Chief Executive**

## About Herefordshire Council

Herefordshire is a county with a rich history and proud heritage, covering a geographic area of 2,180 km<sup>2</sup>. It is home to nearly 200,000 residents across rural villages and vibrant market towns with a thriving economy combining long-standing agriculture and food production industries alongside innovative businesses in cyber and technology, construction, manufacturing and engineering.

The continuing impact of increasing demand for adult and children’s social care and the challenging national and global economic environment has placed the council’s resources under significant pressure during 2023/24. The council has managed these pressures through effective financial management and internal controls; maintaining standards of service whilst safeguarding the council’s resources to ensure long term financial resilience and sustainability. The council has continued to make arrangements to secure value for money in its use of resources throughout the year; strengthening governance arrangements and managing key operational risks and financial pressures to deliver corporate objectives and service improvements.

## Our Vision and Corporate Priorities

The County Plan 2020-2024 identified three key ambitions for the council in the areas of environment, community and economy, with corporate priorities and actions outlined in the supporting Delivery Plan. Activity and progress towards delivery of corporate priorities outlined in the Delivery Plan has been monitored and reported quarterly to Cabinet during 2023/24.

The Herefordshire Council Plan 2024-2028 sets out how the council will make its contribution to achieving success across the county; delivering the best for Herefordshire in all areas of service delivery and developing a council that engages with the communities it serves. The Plan sets out the vision for the future, with a focus on key priorities of People, Place, Growth and Transformation, with partnership working at the core of all activity.

### PEOPLE



We will enable residents to realise their potential, to be healthy and to be part of great communities that support each other. We want all children to have the best start in life.

### PLACE



We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place and do everything we can to improve the health of our rivers.

### GROWTH



We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development and provide the right infrastructure.

### TRANSFORMATION



We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

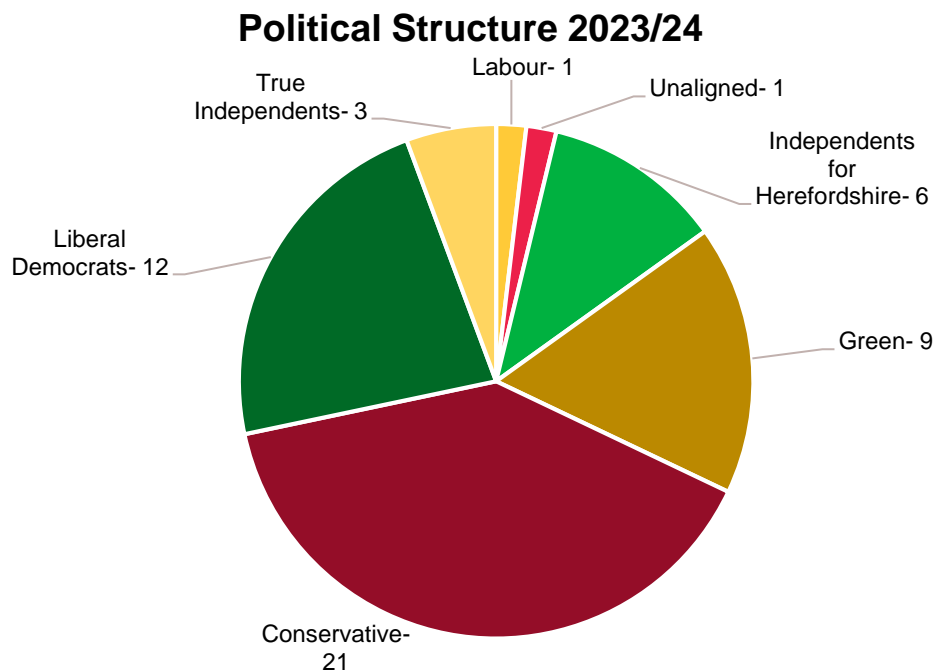
### UNDERPINNING THEME - PARTNERSHIP WORKING

*Partnership working is central to Herefordshire Council’s success and to delivering the best results for our residents. We are stronger together and the council will always work to build strong, effective partnerships to ensure our county is much more than the sum of its parts.*

## Our Governance and Political Structure

Herefordshire Council operates a leader and cabinet model of governance. The council's 53 elected members meet together as full Council to set the policy framework, agree the budget and spending plans, set the Council Tax, elect the leader of the council and chairs of committees and make constitutional decisions.

The chart below shows the political structure of the council for the period from 4 May 2023 (following local elections) to 31 March 2024:



Decision making takes place at a wide range of levels across the council.

The constitution defines the various roles of officers and members:

- Council (all 53 elected members) approves the constitution, the budget and the main policies and priorities for the council; it delegates much of its day to day decision-making (such as planning and licensing) to a number of committees, or to officers;
- Cabinet (the executive) is responsible for all decisions which the law, or Council, does not require to be taken by others; and agrees policies and actions to implement the budget and policies set by Council;
- Officers: take operational decisions in order to put agreed policies and strategies into effect and to deliver services efficiently; and
- Overview and scrutiny: scrutinises decisions and advises the cabinet and Council on policy issues.

The council also works in partnership with a range of organisations from the public, business, and voluntary and community sectors in order to deliver the best services, as efficiently as possible for the county. Further details of the council's governance arrangements are provided in the Annual Governance Statement.

## Council Leadership Team

The Chief Executive is responsible for the operational management, leadership and strategic direction of the council, supported by the senior Leadership team comprising Corporate Directors from the three directorates: Community Wellbeing, Children and Young People, Economy and Environment, together with the corporate directors. The council has responsibilities for a wide range of services including: economic development, education, environmental health and animal welfare, highways, housing, leisure and culture, local tax collection, passenger transport, planning, public health, social care (adults and children), strategic planning, trading standards, transport planning, waste collection and disposal. The council is also the 'corporate parent' to children and young people in its care.

## Our Performance

### Community Wellbeing

The council's priority is to protect and improve the lives of vulnerable people. We aim to support individuals to live as independently and healthily as possible through investment in prevention, early intervention and the use of technology and to encourage communities to help each other through a network of community hubs. Our adult social care services continued to work closely with the hospital to manage effective discharge from hospital throughout the year, putting in place additional homecare and care home capacity to manage the increasing demand.

We have continued to support residents during 2023/24 with financial support provided for vulnerable households, school holiday food vouchers and free activities provided for children in receipt of free school meals plus additional support for eligible households, care leavers and pensioners towards food and energy costs. Wellbeing events and cost of living roadshows, hosted across the county, have delivered financial advice and support to our communities.

The council's proposal to relocate the Library & Learning Centre to Shirehall received support from Stronger Hereford in January 2024. An allocation of £3.0 million from the Stronger Towns Fund and additional capital funding will be invested to create a vibrant, modern and innovative library to enhance cultural facilities and improve opportunities and wellbeing outcomes.

Herefordshire's Joint Health & Wellbeing Strategy was launched in July 2023; the strategy sets out how the council and its local partners plan to address the needs of its population to support individuals and communities to live happy and healthy lives.

### Economy and Environment

Following the review of the capital programme in 2023/24, priority capital investment areas were identified, with additional funding approved to improve the condition of roads and highways across the county and undertake preventative maintenance and investment to progress the

Southern Link Road. The New Road Strategy was adopted by Cabinet in March and a decision made to prioritise the progress of the development of a bypass to support growth in the county, improve transport connections and strengthen the resilience of the network.

Cabinet approved the award of the new waste collection contract in 2023/24. The award marks significant transformation of the waste service; environmental impact has been a key driver in the service specification with a requirement to minimise waste, reduce energy and carbon emissions and enhance biodiversity.

The Council has been ranked as the top performing local authority in the West Midlands on sustainability action for the third year in a row. The Sustainability West Midlands (SWM) benchmarking results, in which the council achieved an overall score of 91%, demonstrate that the council is making excellent progress in our environmental and sustainability targets and this reflects our continued commitment to net zero by 2030.

### Children and Young People

The transformation and improvement of Children's services, to provide children and their families with the best possible outcomes, remains the council's number one priority. Regular Ofsted Monitoring visits have taken place throughout 2023/24 focusing on areas which require the most improvement. Following each visit, findings and the evaluation of progress made have informed changes to working practices and the Improvement Plan has been updated to ensure that planned activity addresses the priority improvement areas identified by Ofsted.

We will continue to work with the Commissioner, our long-term improvement partner, other agencies and families to increase the pace of improvement. Additional funding has been approved for 2024/25 to ensure the Directorate budget is sufficient to meet the cost of service delivery, reflecting the national and local pressures facing the provision of children's social care.

## Our Financial Performance

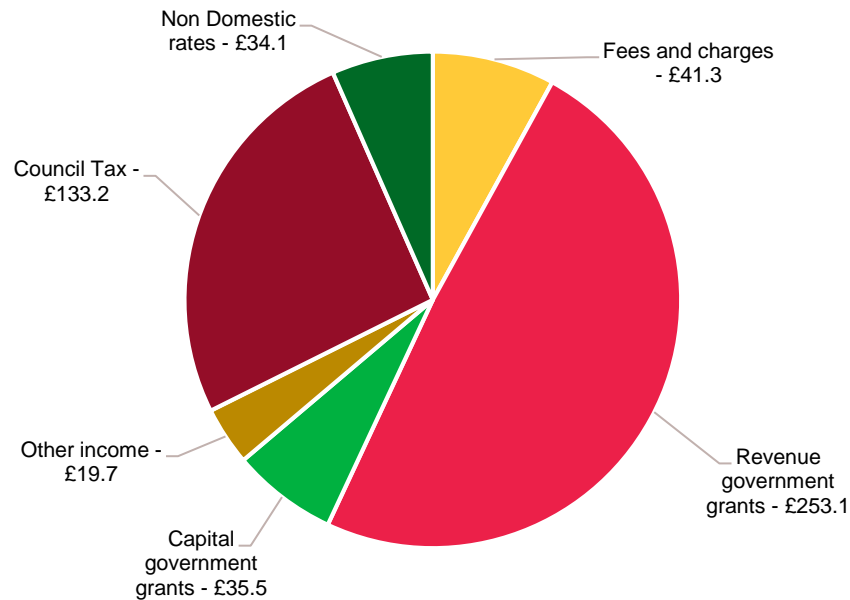
### Revenue Summary

The council receives funding from three main sources:

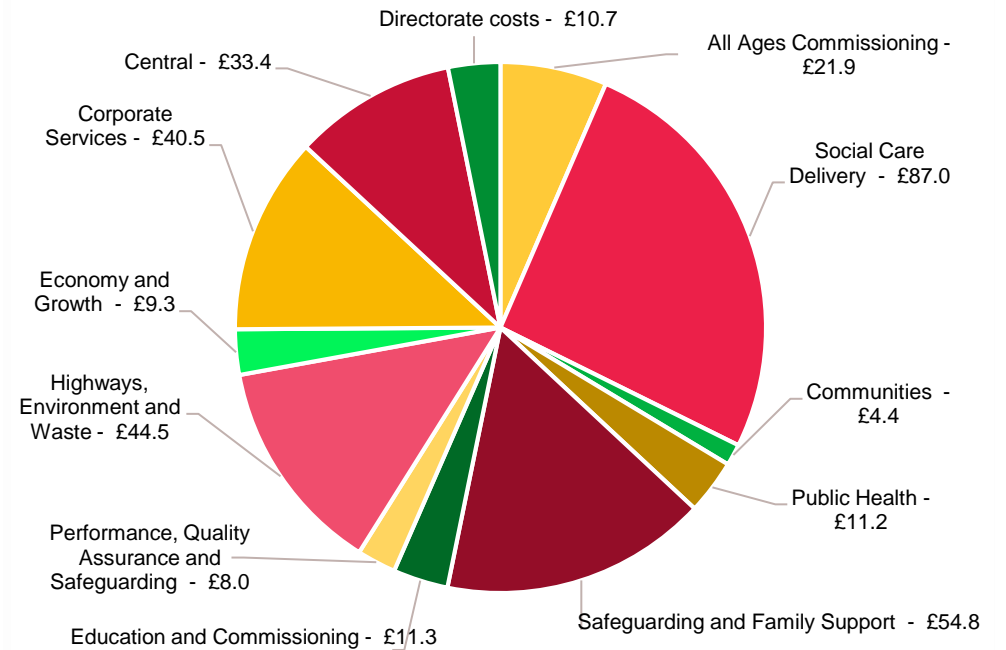
- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges from the services it provides. The charts below show the funding received in 2023/24 and how these funds were spent on services in the year:

**Gross funding and income 2023/24 (£m)**



**Gross expenditure 2023/24 (£m)**





**2023/24 Revenue Outturn**

In February 2023, the council approved a net revenue budget of £193.3 million. The revenue budget shows the annual cost of delivery against the council’s duties and responsibilities to the community, many of which are statutory functions.

The council faced net cost pressures of £8.7 million (4.5% of budget) in 2023/24 after the use of reserves and recovery plan actions implemented by management during the year. The following table shows the council’s actual spend for the year against its planned spend for the year by Directorate with the difference between the two shown as the variance. The negative figures are those where spend was less than planned and the positive figures are where spend was greater than planned.

Service area	Budget £m	Outturn £m	Variance £m
Children and Young People	51.8	63.5	11.7
Community Wellbeing	71.8	71.8	-
Economy and Environment	27.0	26.5	(0.5)
Corporate Services	26.0	26.3	0.3
<b>Directorate Total</b>	<b>176.6</b>	<b>188.1</b>	<b>11.5</b>
Central, Treasury Management	16.7	13.9	(2.8)
<b>Total</b>	<b>193.3</b>	<b>202.0</b>	<b>8.7</b>

The Community Wellbeing Directorate budget returned a break even position against its £71.8 million net budget. The Directorate has managed significant cost pressures due to increased client need and growth in demand for services; balancing overspends in care packages, temporary housing demand and agency costs through robust management of high-cost care packages and working collaboratively with partners to maximise funding arrangements.

Services for children and young people continue to face significant pressures with growing demand, greater complexity, national challenges in workforce recruitment and retention and increased financial constraints. The £11.7 million overspend in Children and Young People reflects these national pressures alongside local issues which continue to have a significant impact on the cost of delivering services in Herefordshire; the lack of sufficiency within suitable local children’s social care placements is a key driver in the above-inflation increases in residential placement costs

with many children placed out of county to ensure their needs are met. There are also continued challenges in the recruitment of in-house foster carers resulting in higher cost alternatives including independent fostering agencies, residential and unregistered placements.

The Economy and Environment Directorate achieved an underspend of £0.5 million on its £27.0 million net budget. The outturn position comprises overspends in Planning and Development Control offset by reduced energy costs, reduced concessionary travel service use, additional trade waste income and management of agency and staffing costs throughout the year.

The Corporate Services Directorate delivered a small overspend of £0.3 million which represents staffing cost pressures across the Directorate, offset by increased rental income collected following focused rent reviews undertaken in 2023/24 to maximise income from council properties.

Central and Treasury Management budgets achieved a total underspend of £2.8 million which represents positive variances as a result of prudent treasury management activities in line with the approved Treasury Management Strategy.

This outturn position is reconciled to the figures shown in the comprehensive income and expenditure statement in note 8: Expenditure and funding analysis.

## Capital Investment Programme

In December 2023, the council approved a revised capital budget of £147.8 million for 2023/24. The final capital programme for the year following reprofiling of expenditure to future years and removal of the Maylords Library project totalled £68.4 million and included the following significant capital projects:

- **Fastershire:** a partnership between Herefordshire Council and Gloucestershire County Council to bring faster broadband to homes and businesses across the two counties. Phase 2 will extend coverage across the counties and will complete in 2024/25.
- **Hereford City Centre Transport Package:** design work for the delivery of the transport hub is complete, planning has been awarded and construction will begin in 2024/25; this project is supported by increased funding of £6.3 million from the Levelling Up Fund.
- **Market Towns Investment:** resurfacing work has been undertaken in the market towns funded by capital budgets for highways and public realm maintenance and the annual Local Transport Plan Grant for highways improvements.
- **Home Energy Efficiencies:** Green Homes Grants and the Home Upgrade Grant have been distributed to enable residents to benefit from more energy efficient heating systems and energy efficient home improvements.
- **Schools Maintenance Grant:** over £2.0 million was spent on improvements to schools including new roofs, internal works and replacement boilers.
- **Single Homelessness Accommodation Programme:** Four, one bed properties have been bought using the grant to address the gaps in homelessness for vulnerable young people (age 18-25) at risk or experiencing homelessness or rough sleeping; it is planned that further properties will be purchased in 2024/25.
- **Hereford City Centre Improvements:** A number of projects funded from the match budget were delivered in this year, including the Widemarsh Street Kerb Improvements, Cathedral & River Wye Quarter Design and the impressive Public Art works across the city.

**2023/24 Capital Outturn**

The total expenditure on capital projects in 2023/24 was £47.3 million which represents 69% of the revised budgeted programme. This expenditure was financed by capital grants of £32.5 million, prudential borrowing of £11.1 million, revenue reserves of £2.8 million and capital receipts of £0.9 million.

The £21.1 million underspend comprises £4.8 million of projects that have delivered below project budgets, £1.0 million of budget where the projects are on hold awaiting successful bids and a further £15.3 million of budgets to be carried forward to 2024/25.

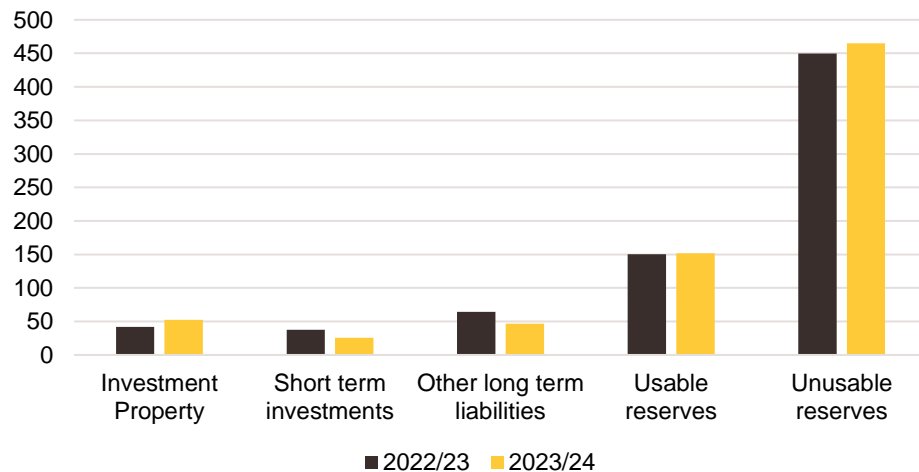
	<b>Approved budget £m</b>	<b>Revised budget £m</b>	<b>Expenditure £m</b>	<b>Variance £m</b>
<b>Summary Financial Position</b>				
Community Wellbeing Delivery Board	4.4	4.4	3.2	(1.2)
Housing & Accommodation Delivery Board	2.8	1.7	0.7	(1.1)
IT Services Partnership Board	3.3	2.8	1.5	(1.3)
Corporate Transformation Delivery Board	0.6	0.6	0.5	(0.1)
Asset Management Delivery Board	36.4	9.0	6.1	(2.9)
Planning Delivery Board	5.9	2.8	1.6	(1.2)
Highways Maintenance Delivery Board	29.7	25.7	21.9	(3.8)
Environment & Sustainability Delivery Board	25.4	6.0	2.1	(3.8)
Economic Development Delivery Board	7.7	6.7	5.3	(1.4)
Major External Funded Delivery Board	12.5	2.3	1.0	(1.2)
Sustainable Transport & Place Making Delivery Board	16.0	6.4	3.4	(3.0)
<b>Total</b>	<b>144.8</b>	<b>68.4</b>	<b>47.3</b>	<b>(21.1)</b>

**Assets and Liabilities**

The Balance Sheet summarises the council’s financial position at 31 March 2024 and reports the assets, liabilities and reserves which show what the council owns and how much it owes. The council’s net assets have increased by £16.5 million from £600.2 million at 31 March 2023 to £616.7 million at 31 March 2024. The key balance sheet variations are noted in the following table and chart:

Summary Financial Position	31 March 2023 £m	31 March 2024 £m	Movement £m
Assets (what we own)	872.3	872.2	(0.1)
Liabilities (what we owe)	(272.1)	(255.5)	16.6
<b>Net financial position (assets less liabilities)</b>	<b>600.2</b>	<b>616.7</b>	<b>16.5</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves (usable)	(150.5)	(151.8)	(1.3)
Other reserves (unusable)	(449.7)	(464.9)	(15.2)
<b>Total reserves</b>	<b>(600.2)</b>	<b>(616.7)</b>	<b>(16.5)</b>

**Main Balance Sheet variations (£m)**



**Borrowing and Investments**

The Treasury Management Strategy, approved annually by Council, outlines the proposed borrowing and investment strategy, the council’s expected minimum revenue provision and the associated prudential indicators which demonstrate that the council’s proposed capital investment budget is affordable, prudent and sustainable. External borrowing is obtained, where necessary, to support the council’s capital programme and borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities. No new borrowing was undertaken in 2023/24.

Total borrowing at 31 March 2024, including short term loans, was £121.0 million (£123.9 million at 31 March 2023). Principal debt repayments of £1.7 million were made and interest of £4.8 million was paid on all council borrowing during 2023/24. Net borrowing (borrowing less short term investments) was £95.6 million as at 31 March 2024 compared with £86.2 million as at 31 March 2023.

### Other Long Term Liabilities

The movement in long term liabilities results from a reduction in the pension liability valuation which is also reflected in the corresponding increase in unusable reserves.

### Pension Fund Liability

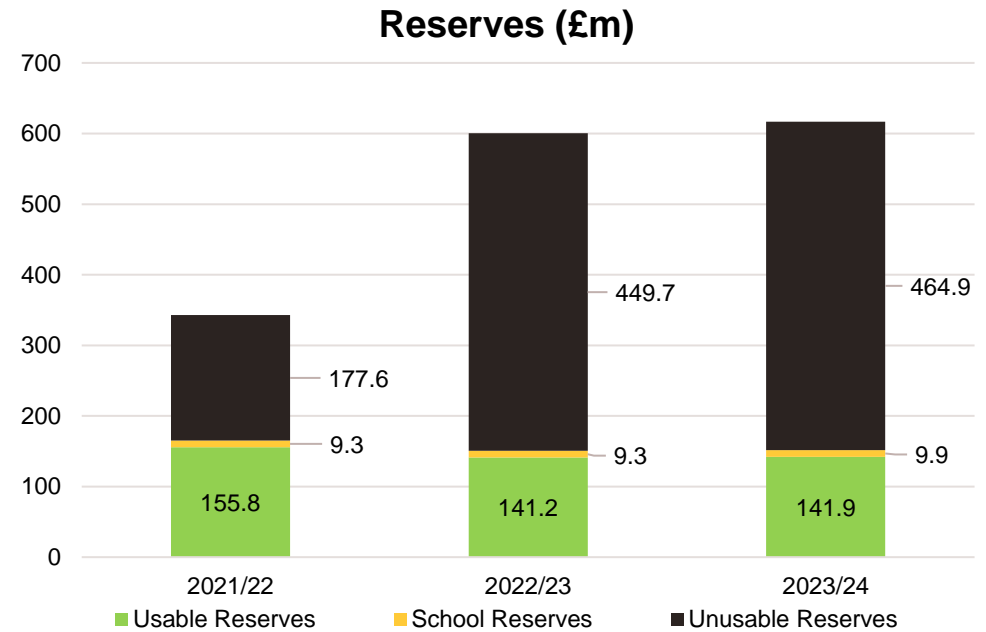
Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund. Herefordshire's proportion of the net liability of the Worcestershire County Council Pension Fund as at 31 March 2024 is £8.2 million (£23.7 million at 31 March 2023) on an International Accounting Standard (IAS) 19 basis.

The pension fund position is reviewed every three years and was last revalued as at 31 March 2022, where the in-service contribution rate increased to 18.8% (previously 17.6%) and the deficit contribution decreased to 1.2% (previously 10.4%). These changes have been reflected in the medium term financial strategy.

Further details of the pension liability and assets are set out in the technical annex section of these financial statements.

### Reserves

The reserves on the balance sheet represent the council's net worth and are split into usable reserves and unusable reserves. The following chart shows the balance of reserves over the last three years. Usable reserves are shown in green, unusable reserves shown in blue and reserves belonging to schools are shown in orange.



### Usable Reserves

Usable reserves are those reserves that can be spent on future services and include general reserves as well as those earmarked for specific purposes. Earmarked reserves are established to hold revenue balances to fund future year commitments over and above the annual budget requirement and to provide cover for risks such as insurance. They generally arise where funding exceeds expenditure, usually due to the timing of receipts being ahead of incurring expenditure. As a matter of good practice a review is undertaken each year to establish the continued need for reserves held for earmarked purposes to ensure resources can be used to best effect whilst maintaining a prudent level of reserves to meet future anticipated commitments.

## Unusable Reserves

The council also holds a number of unusable reserves, which arise as a result of statutory or accounting adjustments and cannot be used for expenditure on services. These include unrealised gains and losses, particularly in relation to the revaluation of property, and adjustment accounts, which absorb the timing difference between the outcome of applying accounting practice and the amounts required to be charged to the financial statements under statute.

The following accounts normally represent the most significant movements in unusable reserves and are explained further in note 30:

- Revaluation reserve;
- Pensions reserve; and
- Capital adjustment account.

The increase in unusable reserves is largely due to changes in the pension liability following the triennial actuarial valuation at 31 March 2022.

## Financial Resilience and Sustainability

The council's future financial resilience and sustainability is underpinned by robust financial planning to identify key pressures and funding gaps to inform savings and transformation plans which are aligned to strategic and statutory priorities and consistent with workforce, capital, investment and other operational plans. The council has developed a 4 year Medium Term Financial Strategy (MTFS) for the period from 2024/25 to 2027/28 to manage risks to its financial resilience including future demand for services and assumptions in funding.

The most significant medium term financial risks identified are:

- **Improvement in Children's Services:** The council continues to work with the Department for Education, the appointed Commissioner for Children's Services and its improvement partner Leeds City Council with resources allocated to address required transformation and

improvement. A three year Strategic and Financial Plan has been developed to ensure the Children & Young People Directorate is able to deliver recurrent savings over a three year period.

- **Safeguarding the financial position of the council:** High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends.
- **Increasing demand for Adults and Children's Social Care:** Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2024/25. In year monitoring of performance enables Directorates to forecast trends and identify changes in demand. Community support identified through Talk Community and use of Strength Based Assessment in adult social care have evidenced managing demand and investing in Early Help and Prevention will support our response to increasing demand in future years.
- **Volatility in government funding streams:** The government settlement for 2024/25 is a one year settlement; the MTFS reflects prudent estimates and assumptions in the financial planning over the medium term period where it is acknowledged that uncertainty over future funding exists.
- **Uncertainty in rates of interest and inflation:** The council's approved Treasury Management Strategy is informed by latest forecasts, provided by our external Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
- **High Needs Budgets:** These budgets are funded by the Dedicated Schools Grant (DSG), however any overspend remains a council liability. The forecast cumulative deficit position over the medium term period represents a developing pressure for the council, in line with the national trend. The High Needs deficit will have an impact on the council's overall financial position once the statutory override periods ends and this risk is being managed as part of routine budget monitoring arrangements and medium term financial plans.

## **Financial Interests in other organisations**

The group accounts show the full extent of the council's economic activities by reflecting the council's interests in other organisations. Inclusion in the Herefordshire Council group is dependent upon the extent of the council's interest and control over the entity. Where an entity is considered to be below materiality levels or the council does not exercise significant influence, it is not included in the group accounts.

In 2023/24, the group accounts include the council's interest in its subsidiary: Hoople Ltd. The financial position of the council, including its interest in Hoople Ltd is presented in the Group accounts at pages 84 to 90.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

## **The Council's Responsibilities**

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts

## **The Section 151 Officer - Responsibilities**

The Section 151 Officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code of Practice

The Section 151 Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Certificate of the Chief Finance Officer (Section 151 Officer)**

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015, I certify that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

xx/xx/2024

## **Audit and Governance Committee Approval**

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I certify that Audit and Governance Committee approved the Statement of Accounts for 2023/24.

David Hitchiner, Chair of the Audit and Governance Committee

xx/xx/2024



# Financial statements



## Comprehensive income and expenditure statement

The comprehensive income and expenditure statement shows the accounting costs in year of services provided by the council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the movement in reserves statement.

2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net expenditure £m		Note	2023/24 Gross expenditure £m	2023/24 Gross income £m	2023/24 Net expenditure £m
174.7	(117.5)	57.2	Children and Young People		195.8	(124.7)	71.1
119.1	(51.9)	67.2	Community Wellbeing		135.2	(59.0)	76.2
95.8	(27.3)	68.5	Economy and Environment		94.3	(26.7)	67.6
89.4	(53.6)	35.8	Corporate Services		82.8	(44.4)	38.4
<b>479.0</b>	<b>(250.3)</b>	<b>228.7</b>	<b>Net cost of services</b>	8	<b>508.1</b>	<b>(254.8)</b>	<b>253.3</b>
8.6	-	8.6	Other operating income and expenditure	10	6.4	-	6.4
15.1	(8.8)	6.3	Financing and investment income and expenditure	11	9.4	(19.7)	(10.3)
-	(211.0)	(211.0)	Taxation and non-specific grant income	12	-	(242.4)	(242.4)
<b>502.7</b>	<b>(470.1)</b>	<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	9	<b>523.9</b>	<b>(516.9)</b>	<b>7.0</b>
		(23.6)	(Surplus)/deficit on revaluation of non-current assets				(10.6)
		(266.5)	Re-measurement of the net defined benefit liability				(12.9)
		(290.1)	<b>Other comprehensive (income) and expenditure</b>				(23.5)
		(257.5)	<b>Total comprehensive (income) and expenditure</b>				(16.5)

## Balance sheet

The balance sheet shows the value of the assets and liabilities of the council, with the net assets matched by the reserves held. Reserves are categorised as usable (those the council can use to provide services), and unusable (those which cannot be used to provide services).

31 March 2023 £m		Note	31 March 2024 £m
690.1	Property, plant and equipment	19.1	685.8
41.9	Investment property	20	52.6
0.4	Intangible assets		0.5
3.9	Heritage assets		4.1
37.3	Long term debtors	T2.2	35.8
<b>773.6</b>	<b>Long term assets</b>		<b>778.8</b>
37.7	Short term investments	T2.2	25.4
0.3	Inventories		0.3
35.2	Short term debtors	22	42.8
25.5	Cash and cash equivalents	23	24.9
<b>98.7</b>	<b>Current assets</b>		<b>93.4</b>

The draft statement of accounts were authorised for issue by the Director of Resources and Assurance (Section 151 officer) on 31 May 2024.

31 March 2023 £m		Note	31 March 2024 £m
(4.0)	Short term borrowing	T2.3	(8.0)
(59.3)	Short term creditors	24	(65.0)
(5.1)	Short term provisions		(3.5)
(2.2)	Cash and cash equivalents	23	(1.8)
<b>(70.6)</b>	<b>Current liabilities</b>		<b>(78.3)</b>
(1.8)	Long term provisions		(1.7)
(119.9)	Long term borrowing	T2.3	(113.0)
(15.7)	Capital grants receipts in advance	25	(16.0)
(64.1)	Other long term liabilities	T2.3	(46.5)
<b>(201.5)</b>	<b>Total long term liabilities</b>		<b>(177.2)</b>
<b>600.2</b>	<b>Net assets</b>		<b>616.7</b>
(150.5)	Usable reserves	29	(151.8)
(449.7)	Unusable reserves	30	(464.9)
<b>(600.2)</b>	<b>Total reserves</b>		<b>(616.7)</b>

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

## Movement in reserves statement

The movement in reserves statement shows the movement on the different reserves held, analysed into usable and unusable reserves.

	General fund £m	Earmarked reserves £m	Total general fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total reserves £m
<b>Balance at 31 March 2022</b>	<b>(9.6)</b>	<b>(96.5)</b>	<b>(106.1)</b>	<b>(43.2)</b>	<b>(15.8)</b>	<b>(165.1)</b>	<b>(177.6)</b>	<b>(342.7)</b>
Total comprehensive income and expenditure	32.6	-	32.6	-	-	32.6	(290.1)	(257.5)
Adjustments between accounting basis and funding basis under regulations (note 28)	(17.9)	-	(17.9)	3.1	(3.2)	(18.0)	18.0	-
Transfers (to)/from earmarked reserves (note 31)	(14.7)	14.7	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(272.1)</b>	<b>(257.5)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(449.7)</b>	<b>(600.2)</b>
Total comprehensive income and expenditure	7.0	-	7.0	-	-	7.0	(23.5)	(16.5)
Adjustments between accounting basis and funding basis under regulations (note 28)	1.6	-	1.6	1.9	(11.8)	(8.3)	8.3	-
Transfers (to)/from earmarked reserves (note 31)	(8.6)	8.6	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>8.6</b>	<b>8.6</b>	<b>1.9</b>	<b>(11.8)</b>	<b>(1.3)</b>	<b>(15.2)</b>	<b>(16.5)</b>
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>
Note		31				29	30	

## Cash flow statement

The cash flow statement shows the change in cash and cash equivalents of the council, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation, grant income and fees and charges.

2022/23 £m		Note	2023/24 £m
32.6	Net (surplus)/deficit on the provision of services		7.0
(52.9)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	32.1	(35.0)
26.4	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	32.2	36.1
<b>6.1</b>	<b>Net cash flows from operating activities</b>		<b>8.1</b>
(0.6)	Net cash flows from investing activities	33	(13.2)
11.4	Net cash flows from financing activities	34	5.3
<b>16.9</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>0.2</b>
40.2	Cash and cash equivalents at 1 April		23.3
23.3	Cash and cash equivalents at 31 March	23	23.1
<b>(16.9)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(0.2)</b>

## Contents of the notes to the financial statements

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## 1. General accounting policies

### 1.1 General principles

The council is required to produce an annual statement of accounts by the Accounts and Audit Regulations 2015 (as amended), which require the 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 2023/24, supported by International Financial Reporting Standards. The single entity statements and the statement of group accounts have consistently applied the accounting policies detailed within each note. Where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Ltd.

The Accounts and Group Accounts have been prepared on a going concern basis, under the assumption that the council and its subsidiary will continue in existence for the foreseeable future.

### 1.2 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively. Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 2. Accounting standards that have been issued but have not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the code of practice of local authority accounting in the United Kingdom, these are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023

None of these amendments are expected to have a significant impact on the council's accounts in future years.

- IFRS 16 Leases issued in January 2016. This standard introduces new presentation and disclosure requirements in relation to arrangements that convey the right to use an asset. Following the outcome of the FRAB review, CIPFA LASAAC formally announced the decision to defer the mandatory implementation of IFRS 16 for local authorities until 1 April 2024. The impact on the financial statements is not expected to be material.

### 3. Critical judgements in applying accounting policies

In applying accounting policies the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these statement of accounts are:

#### **Interest in companies and other entities**

An assessment of all the council's interests has been carried out to determine whether a group relationship between the council and other entities exists on the basis of control and significant influence. Group accounts have been prepared to reflect the council's relationship with Hoople Ltd, a majority owned company. The council has assessed West Mercia Energy to be a non-material joint venture.

#### **Schools' assets**

The council makes a judgement as to whether to account for schools' assets as if they are owned (on balance sheet) or not owned (off balance sheet). This is an assessment based on the level of control and decision-making. The council has assessed that all community, voluntary-aided and voluntary-controlled schools are included on the balance sheet, this is because the council benefits from the service provision within the building and the flow of economic benefits. There are assets included in land and buildings within property, plant and equipment with a net book value of £240.6 million as at 31 March 2024 (£222.7 million as at 31 March 2023). Free schools and academy schools are not included on the balance sheet.



#### 4. Assumptions made about the future and 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 events that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the balance sheet at 31 March 2024 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment valuations	<p>The council's external valuers provide valuations at 31 March based on a rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>A variation of 5% in the value of Property, plant and equipment would be approximately £34 million from the closing net book value of £685.8 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>
Property, plant and equipment depreciation	<p>Depreciation is charged to the comprehensive income and expenditure statement in line with the expected benefit of each asset over its estimated useful economic life (UEL).</p> <p>Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Assets valued as part of the rolling programme are assigned a UEL by the professional valuer; the UEL of assets not subject to external valuation is estimated by officers with appropriate subject knowledge.</p>	<p>The effect on the depreciation charge of changes in the estimated useful live of assets can be measured:</p> <p>A reduction of one year in the assessed useful life would increase the depreciation charge by approximately £5 million with a corresponding decrease in the property, plant and equipment net book value on the balance sheet from the closing net book value of £685.8 million.</p>

## General notes to the financial statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions net liability valuation	<p>The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Hymans Robertson) is engaged to provide the council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>When a net pension asset is calculated, there is a restriction on the recognition of that asset to the estimated future benefit from that asset in reduced pension contributions. The calculation of this net pension asset ceiling is also subject to actuarial assumptions.</p>	<p>The effects on the net pension asset prior to the impact of the net pension asset ceiling (£23.9 million at 31 March 2024) of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>A 0.1% decrease in the discount rate used would increase the liability by £9.7 million.</li> <li>A 0.1% increase in the inflation rate used would increase the liability by £9.4 million.</li> <li>A 0.1% increase in the rate of pay growth used would increase the liability by £0.5 million.</li> <li>An increase of one year in assumed life expectancy used would increase the liability by £23.0 million.</li> </ul>

### 5. Contingent liabilities

A contingent liability arises when an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within control of the council. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that an outflow of future economic benefits or service potential will be required then a provision is recognised in the year in which the probability occurs.

There are no material contingent liabilities as at the balance sheet date.

### 6. Events after the reporting period

Events after the reporting period are those that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

There are two types of event;

- Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts; and
- Those that relate to conditions after the reporting period, which are not adjusted in the accounts, and disclosed in the notes to the statements

There are no material adjusting or non-adjusting events that have occurred after the reporting period.

## 7. Related party transactions

The council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the council.

### Central government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding in the form of grants.

### Elected Members

Elected Members of the council have direct control over the council's financial and operating policies. A total of £0.9 million allowances and expenses were paid to members in 2023/24 (2022/23 £0.7 million). Elected members of the council may be involved with other local organisations that provide services for or receive services from the council. For 2023/24, there are no material transactions for services to organisations in which Members have declared interests.

### Officers

Officers of the council may be involved with other local organisations that provide services for or receive services from the council. For 2023/24, there are no material transactions for services to organisations in which officers have declared interests.

### Hoople Ltd

Hoople Ltd is a private limited company which provides business support services to clients in the public and private sectors. Hoople Ltd is owned jointly by Herefordshire Council, Wye Valley NHS Trust and Lincolnshire County Council. The company has been identified as a subsidiary, with the council its majority shareholder. Group accounts have been prepared as the subsidiary is assessed to be material.

In 2023/24, the council spent £17.6 million (2022/23 £15.7 million) on services from the company, and received £0.7 million (2022/23 £1.0 million) in income from the company. This is reflected in the single entity comprehensive income and expenditure statement. There is a debtor of £0.6 million (2022/23 £0.2 million) and a creditor of £1.0 million (2022/23 £0.9 million) outstanding at 31 March 2024 and these balances are included in the single entity balance sheet.

The company's Board includes 2 Directors who are employed by the council, these individuals did not receive any remuneration from the company during the year.

### Section 75 Framework Partnership Agreements

The council has 3 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board. The transactions during the year are disclosed in note 15.

### **West Mercia Energy Joint Committee**

The council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the council is one of four constituent authorities, alongside Shropshire Council, Worcestershire County Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The council paid £2.4 million to WME in 2023/24 (2022/23 £1.7 million) and received £0.4 million (2022/23 £0.2 million); these transactions are reflected in the comprehensive income and expenditure statement. There is a creditor of £0.3 million (2022/23 £0.1 million) and a debtor of £0.4 million (2022/23 £0.2 million) outstanding at the year-end and these balances are included in the single entity balance sheet.

### **Cyber Quarter Limited**

In March 2019, the council entered into a partnership with the University of Wolverhampton to establish the Midlands Centre for Cyber Security in Skylon Park, Herefordshire Enterprise Zone through the company: Cyber Quarter Limited. The council holds a 19% share in the company and this interest is accounted for as a long term investment in the single entity balance sheet; the remaining 81% shareholding is held by the University of Wolverhampton. This relationship is disclosed as a related party by virtue of the council's representation on the company's Board of Directors.

In 2019 a commercial loan of £3.5 million was granted by the council to Cyber Quarter Limited. This is shown as a long term debtor in the council accounts. The interest rate is fixed at 5.99% and repayment over 30 years with no repayments due in the first five years, equal repayments falling due thereafter. Transactions invariably take place between the two parties. These transactions are deemed to be conducted on an independent and arms-length basis.

## Notes supporting the comprehensive income and expenditure statement

### 8. Expenditure and funding analysis

The objective of the expenditure and funding analysis (EFA) is to demonstrate to council tax payers how the funding available to the council for the year (i.e. government grants, rents, council tax and business rates) has been applied in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The expenditure and funding analysis 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.

	2023/24 Net expenditure for internal reporting £m	2023/24 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2023/24 Net expenditure chargeable to the general fund £m	2023/24 Adjustments between accounting basis and funding basis under regulations £m	2023/24 Net expenditure in the CIES £m
Children and Young People	63.5	14.4	77.9	(6.8)	71.1
Community Wellbeing	71.8	4.4	76.2	-	76.2
Economy and Environment	26.5	23.3	49.8	17.8	67.6
Corporate Services	40.2	11.9	52.1	(13.7)	38.4
<b>Net cost of services</b>	<b>202.0</b>	<b>54.0</b>	<b>256.0</b>	<b>(2.7)</b>	<b>253.3</b>
Other income and expenditure	(193.3)	(54.1)	(247.4)	1.1	(246.3)
<b>(Surplus)/deficit on the provision of services</b>	<b>8.7</b>	<b>(0.1)</b>	<b>8.6</b>	<b>(1.6)</b>	<b>7.0</b>
Opening general fund balance at 1 April			(91.4)		
(Surplus)/deficit			8.6		
<b>Closing general fund balance at 31 March</b>			<b>(82.8)</b>		
Note		8.2		8.1	

## Notes supporting the comprehensive income and expenditure statement

	2022/23 Net expenditure for internal reporting £m	2022/23 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2022/23 Net expenditure chargeable to the general fund £m	2022/23 Adjustments between accounting basis and funding basis under regulations £m	2022/23 Net expenditure in the CIES £m
Children and Young People	62.5	(1.3)	61.2	(4.0)	57.2
Community Wellbeing	67.2	(0.6)	66.6	0.6	67.2
Economy and Environment	27.6	16.5	44.1	24.4	68.5
Corporate Services	24.1	15.5	39.6	(3.8)	35.8
<b>Net cost of services</b>	<b>181.4</b>	<b>30.1</b>	<b>211.5</b>	<b>17.2</b>	<b>228.7</b>
Other income and expenditure	(175.9)	(20.9)	(196.8)	0.7	(196.1)
<b>(Surplus)/deficit on the provision of services</b>	<b>5.5</b>	<b>9.2</b>	<b>14.7</b>	<b>17.9</b>	<b>32.6</b>
Opening general fund balance at 1 April			(106.1)		
(Surplus)/deficit			14.7		
<b>Closing general fund balance at 31 March</b>			<b>(91.4)</b>		
Note		8.2		8.1	

## 8.1. Note to the expenditure and funding analysis – adjustments between accounting basis and funding basis under regulations

2022/23 Adjustments for capital purposes £m	2022/23 Adjustments for pensions purposes £m	2022/23 Adjustments for other purposes £m	2022/23 Total adjustments £m		2023/24 Adjustments for capital purposes £m	2023/24 Adjustments for pensions purposes £m	2023/24 Adjustments for other purposes £m	2023/24 Total adjustments £m
(9.5)	4.8	0.7	<b>(4.0)</b>	Children and Young People	(10.3)	(1.6)	5.1	<b>(6.8)</b>
(1.4)	2.0	-	<b>0.6</b>	Community Wellbeing	0.6	(0.6)	-	-
23.0	1.4	-	<b>24.4</b>	Economy and Environment	18.2	(0.4)	-	<b>17.8</b>
(5.4)	1.6	-	<b>(3.8)</b>	Corporate Services	(14.0)	0.3	-	<b>(13.7)</b>
<b>6.7</b>	<b>9.8</b>	<b>0.7</b>	<b>17.2</b>	<b>Net cost of services</b>	<b>(5.5)</b>	<b>(2.3)</b>	<b>5.1</b>	<b>(2.7)</b>
2.6	7.6	(9.5)	<b>0.7</b>	Other income and expenditure	(0.9)	0.8	1.2	<b>1.1</b>
<b>9.3</b>	<b>17.4</b>	<b>(8.8)</b>	<b>17.9</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>(6.4)</b>	<b>(1.5)</b>	<b>6.3</b>	<b>(1.6)</b>

Adjustments for capital purposes include depreciation, revaluation losses, statutory provision for the repayment of debt, capital grant and other capital adjustments. Adjustments for pension purposes represent the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current and past service costs. Adjustments for other purposes include collection fund, DSG reserve movements and short term absences reserve movements.



## 8.2. Note to the expenditure and funding analysis – adjustments to arrive at Net expenditure chargeable to the general fund

2022/23 Capital adjustments not included in internal reporting £m	2022/23 Other adjustments not included in internal reporting £m	2022/23 Recharges included in internal reporting but removed for financial statements £m	2022/23 Reserve movement not included in internal reporting £m	2022/23 Total adjustments £m		2023/24 Capital adjustments not included in internal reporting £m	2023/24 Other adjustments not included in internal reporting £m	2023/24 Recharges included in internal reporting but removed for financial statements £m	2023/24 Reserve movement not included in internal reporting £m	2023/24 Total adjustments £m
4.5	(5.8)	-	-	(1.3)	Children and Young People	13.9	(0.9)	-	1.4	14.4
2.4	(2.6)	(0.4)	-	(0.6)	Community Wellbeing	0.9	(1.1)	(0.6)	5.2	4.4
21.9	(4.6)	(0.8)	-	16.5	Economy and Environment	22.2	(2.0)	(0.9)	4.0	23.3
0.5	(3.5)	3.4	15.1	15.5	Corporate Services	19.8	(0.3)	4.2	(11.8)	11.9
<b>29.3</b>	<b>(16.5)</b>	<b>2.2</b>	<b>15.1</b>	<b>30.1</b>	<b>Net cost of services</b>	<b>56.8</b>	<b>(4.3)</b>	<b>2.7</b>	<b>(1.2)</b>	<b>54.0</b>
(24.7)	(1.0)	(3.9)	8.7	(20.9)	Other income and expenditure	(37.1)	(5.9)	(13.1)	2.0	(54.1)
<b>4.6</b>	<b>(17.5)</b>	<b>(1.7)</b>	<b>23.8</b>	<b>9.2</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>19.7</b>	<b>(10.2)</b>	<b>(10.4)</b>	<b>0.8</b>	<b>(0.1)</b>

Capital adjustments include a statutory provision for the repayment of debt, capital grant and other capital adjustments. Other adjustments include PFI adjustments and adjustments above and below Net Cost of Services. Reserve movements include collection fund, revenue contribution to capital outlay and short term absences account.

## Notes supporting the comprehensive income and expenditure statement

### 9.1. Nature of income and expenditure

2022/23 £m		2023/24 £m
	<b>Income</b>	
(48.6)	Fees, charges and other service income	(41.3)
(4.3)	Trading and investment income	(13.4)
(4.4)	Interest and investment income	(6.3)
(156.9)	Income from council tax and non-domestic rates	(167.3)
(255.9)	Government grants and contributions	(288.6)
<b>(470.1)</b>	<b>Total Income</b>	<b>(516.9)</b>
	<b>Expenditure</b>	
154.5	Employee benefits expenses	150.5
260.7	Other service expenses	288.3
8.1	Support services recharges (net)	9.2
3.3	Loss on disposal of non-current assets	0.8
55.8	REFCUS, depreciation, amortisation and impairment	60.1
0.4	Trading and investment expenditure	0.3
14.6	Interest expense	9.1
5.3	Precepts and levies	5.6
<b>502.7</b>	<b>Total expenditure</b>	<b>523.9</b>
<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>7.0</b>

#### Revenue recognition

Income and expenditure is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are made or received. 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, subject to a de-minimis threshold of £5,000 for revenue and £10,000 for capital.

Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised at the point that the service is provided or is charged for. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## Notes supporting the comprehensive income and expenditure statement

### 9.2. Segmental reporting

<b>2023/24</b>	<b>Children and Young People £m</b>	<b>Community Wellbeing £m</b>	<b>Economy and Environment £m</b>	<b>Corporate Services £m</b>	<b>Total £m</b>
Fees, charges and other service income	(6.7)	(14.3)	(17.3)	(3.0)	<b>(41.3)</b>
Employee benefits expenses	102.9	18.9	11.3	17.4	<b>150.5</b>
Premises costs	8.0	(1.2)	2.4	2.1	<b>11.3</b>
Transport costs	6.0	0.5	5.1	-	<b>11.6</b>
Supplies and services	20.1	12.7	4.2	9.1	<b>46.1</b>
Third party payments	38.6	96.3	28.2	11.7	<b>174.8</b>
Transfer payments	7.5	3.0	-	34.0	<b>44.5</b>
REFCUS, depreciation, amortisation and impairment	3.7	5.1	44.0	7.3	<b>60.1</b>

<b>2022/23</b>	<b>Children and Young People £m</b>	<b>Community Wellbeing £m</b>	<b>Economy and Environment £m</b>	<b>Corporate Services £m</b>	<b>Total £m</b>
Fees, charges and other service income	(6.1)	(12.2)	(18.9)	(11.4)	<b>(48.6)</b>
Employee benefits expenses	99.9	18.6	11.6	24.4	<b>154.5</b>
Premises costs	7.3	(0.5)	1.5	2.5	<b>10.8</b>
Transport costs	3.9	0.6	4.7	-	<b>9.2</b>
Supplies and services	17.1	11.8	4.5	7.6	<b>41.0</b>
Third party payments	36.0	82.5	24.9	11.4	<b>154.8</b>
Transfer payments	7.7	2.3	1.6	33.3	<b>44.9</b>
REFCUS, depreciation, amortisation and impairment	(4.7)	3.8	47.7	9.0	<b>55.8</b>

## 10. Other operating income and expenditure

2022/23 £m		2023/24 £m
5.1	Parish council precepts	5.4
0.2	Levies	0.2
3.3	(Gains)/losses on the disposal of non-current assets	0.8
<b>8.6</b>	<b>Total other operating income and expenditure</b>	<b>6.4</b>

## 11. Financing and investment income and expenditure

2022/23 £m		2023/24 £m
7.0	Interest payable and similar charges	8.3
7.6	Net interest of the defined net pension liability	0.8
(4.4)	Interest receivable	(6.3)
(3.9)	Income and expenditure of trading accounts and investment properties	(13.1)
<b>6.3</b>	<b>Total financing and investment income and expenditure</b>	<b>(10.3)</b>

## 12. Taxation and non-specific grant income

2022/23 £m		2023/24 £m
(126.1)	Council tax income	(133.2)
(30.8)	Non-domestic rates income	(34.1)
(29.1)	Non-ring fenced government grants	(39.6)
(25.0)	Capital grants and contributions	(35.5)
<b>(211.0)</b>	<b>Total taxation and non-specific grant income</b>	<b>(242.4)</b>

The council tax and non-domestic rates income is accounted for on an accruals basis and included in the comprehensive income and expenditure statement within taxation and non-specific grant income. As a billing authority, the difference between the non-domestic rates and council tax included in the comprehensive income and expenditure statement and the amount required by regulation credited to the general fund is taken to the collection fund adjustment account and reported in the movement in reserves statement.

Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### 13. Grant income

2022/23 £m		2023/24 £m
(0.7)	Revenue support grant	(1.0)
(28.4)	Other non-ring fenced grants	(38.6)
(126.1)	Council tax income	(133.2)
(30.8)	Non-domestic rates income	(34.1)
(25.0)	Capital grants	(35.5)
<b>(211.0)</b>	<b>Total grants credited to taxation and non-specific grant income</b>	<b>(242.4)</b>
(103.8)	Department for Education	(107.9)
(25.3)	Department for Levelling up, Housing and Communities	(27.0)
(31.9)	Department for Work and Pensions	(31.2)
(0.8)	Department for Transport	(0.8)
-	Department for Energy, Security and Net Zero	(1.5)
(3.9)	Department for Environment, Food and Rural affairs	(1.7)
(11.7)	Department for Health	(13.0)
(24.4)	Other grants and contributions	(30.4)
<b>(201.8)</b>	<b>Total grants credited to services</b>	<b>(213.5)</b>
<b>(412.8)</b>	<b>Total grant income</b>	<b>(455.9)</b>

Grants and contributions are recognised in the accounts when there is reasonable assurance that the council will comply with any conditions attached to them and the grants or contributions will be received.

Revenue grants are recognised in the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Grant monies unspent at the end of the year are transferred to an earmarked reserve. When the grant is applied, an amount equal to the expenditure is transferred back from the earmarked reserve to the general fund. Where conditions attached to the grants or contributions have not been met, monies received to date are carried in the balance sheet as receipts in advance and credited to the comprehensive income and expenditure statement when the conditions are satisfied.

Capital grants are credited to the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Where the grant has yet to be used to finance capital expenditure, it is transferred to the capital grants unapplied reserve; where grant conditions have not been satisfied then the monies received are carried in the balance sheet as receipts in advance.

## Notes supporting the comprehensive income and expenditure statement

### 14. Dedicated schools grant

The council's expenditure on schools is funded by the dedicated schools grant (DSG) provided by the Department for Education. DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2022. The schools budget includes elements for a restricted range of services provided on a council-wide basis and for the individual schools budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

2022/23 Total £m		2023/24 Central expenditure £m	2023/24 Individual schools budget £m	2023/24 Total £m
(150.5)	Final DSG allocation before academy and high needs recoupment	-	-	(159.7)
55.7	Less academy and high needs figure recouped	-	-	59.9
(94.8)	<b>Total DSG after academy and high needs recoupment for the year</b>	-	-	(99.8)
-	Brought forward from previous year	-	-	-
-	Less carry forward to following year agreed in advance	-	-	-
(94.8)	<b>Agreed initial budgeted distribution for the year</b>	(20.4)	(79.4)	(99.8)
0.2	In-year adjustments	-	0.1	0.1
(94.6)	<b>Final budgeted distribution for the year</b>	(20.4)	(79.3)	(99.7)
19.4	Less actual central expenditure	25.3	-	25.3
76.0	Less actual individual schools budget deployed to schools	-	79.4	79.4
0.8	<b>In year carry forward to following year</b>	4.9	0.1	5.0
-	Add carry forward agreed in advance	-	-	-
0.8	<b>Carried forward to following year</b>	-	-	5.0
0.3	DSG unusable deficit reserve at the end of the prior year	-	-	1.1
0.8	In year addition to the DSG unusable deficit reserve	-	-	5.0
1.1	<b>Total DSG unusable deficit reserve at the end of the year</b>	-	-	6.1

## Notes supporting the comprehensive income and expenditure statement

### 15. Pooled budgets

Pooled budgets exist where neither partner has sole control of the pooled fund. These arrangements meet the definition of a joint operation, where the partners have joint control over the arrangement, the rights to the arrangements assets and obligations for the arrangements liabilities.

2022/23 Pooled income £m	2022/23 Pooled expenditure £m	2022/23 Net pooled expenditure £m	2022/23 HC managed £m	2022/23 ICB managed £m		2023/24 Pooled income £m	2023/24 Pooled expenditure £m	2023/24 Net pooled expenditure £m	2023/24 HC managed £m	2023/24 ICB managed £m
(24.2)	24.9	0.7	16.3	8.6	Consolidated better care fund	(27.0)	26.8	(0.2)	16.7	10.1
(5.6)	5.9	0.3	5.0	0.9	Consolidated Children's Services	(5.9)	7.4	1.5	6.3	1.1
(1.9)	1.7	(0.2)	0.7	1.0	Integrated community equipment store	(1.7)	1.9	0.2	0.8	1.1
(1.3)	1.3	-	0.7	0.6	Hospital discharge fund	-	-	-	-	-
<b>(33.0)</b>	<b>33.8</b>	<b>0.8</b>	<b>22.7</b>	<b>11.1</b>	<b>Total</b>	<b>(34.6)</b>	<b>36.1</b>	<b>1.5</b>	<b>23.8</b>	<b>12.3</b>

The council has 3 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board (ICB). Within the section 75 agreement there are budgets primarily managed by the ICB, budgets primarily managed by the council, pooled budgets (jointly controlled) and aligned budgets. Where services are primarily managed by the council, the income and expenditure are reflected within the net cost of services in the comprehensive income and expenditure statement. This also includes the council's proportion of jointly controlled pooled budgets. Where services are primarily managed by the ICB, the income and expenditure is not reflected in the council's accounts.

The consolidated better care fund comprises the minimum revenue pool, the capital pool, the additional revenue pool and the improved better care fund, and aims to further the integration between health and social care. The consolidated children's services fund aims to improve provision of services to young people with complex educational, social and medical needs. The integrated community equipment store fund aims to provide specialist equipment to people within the community. The hospital discharge fund ended in 2022/23 with the funding included in the consolidated better care fund for 2023/24.



## Notes supporting the comprehensive income and expenditure statement

### 16. Officers' remuneration

#### 16.1. Officers' remuneration over £50,000 per annum

Officers' remuneration is defined as 'all amounts paid to or receivable by a person, and includes sums due by way of expenses allowances (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee other than in cash (e.g. benefits in kind). Benefits in kind are salary sacrificed amounts for the provision of car parking and bicycles.

All amounts receivable by council employees, including salary, expenses allowances and compensation for loss of employment, where this total is more than £50,000 per annum are shown in the table below. These numbers include the employees shown in the senior employees disclosure note.

2022/23 Number of school staff	2022/23 Number of non-school staff	2022/23 Total number	Salary banding	2023/24 Number of school staff	2023/24 Number of non-school staff	2023/24 Total number
56	54	110	£50,000 to £55,000	61	53	114
17	19	36	£55,001 to £60,000	35	34	69
16	18	34	£60,001 to £65,000	20	21	41
10	6	16	£65,001 to £70,000	13	14	27
7	1	8	£70,001 to £75,000	5	5	10
4	3	7	£75,001 to £80,000	10	1	11
3	5	8	£80,001 to £85,000	5	1	6
1	3	4	£85,001 to £90,000	2	5	7
-	2	2	£90,001 to £95,000	2	2	4
1	1	2	£95,001 to £100,000	-	4	4
1	1	2	£100,001 to £105,000	1	2	3
1	1	2	£105,001 to £110,000	1	-	1
-	1	1	£110,001 to £115,000	1	2	3
-	-	-	£115,001 to £120,000	-	1	1
-	2	2	£130,001 to £135,000	-	-	-
-	-	-	£135,001 to £140,000	-	2	2
-	1	1	£155,001 to £160,000	-	-	-
-	-	-	£160,001 to £165,000	-	1	1
-	-	-	£235,001 to £240,000	-	1	1
<b>117</b>	<b>118</b>	<b>235</b>	<b>Total number of employees over £50,000</b>	<b>156</b>	<b>149</b>	<b>305</b>

## Notes supporting the comprehensive income and expenditure statement

### 16.2. Senior employees' remuneration

2023/24	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		165	-	-	165
Director of Resources and Assurance/Section 151 Officer		114	-	21	135
Director of Governance and Law/Monitoring Officer		114	-	-	114
Corporate Director, Children and Young People	2	139	99	26	264
Corporate Director, Community Wellbeing		139	-	24	163
Corporate Director, Economy and Environment		139	-	26	165
Director of Public Health		103	-	19	122
Director of HR and OD		95	-	18	113
Interim Director of Strategy and Performance	4	78	-	15	93
<b>Total</b>		<b>1,086</b>	<b>99</b>	<b>149</b>	<b>1,334</b>

## Notes supporting the comprehensive income and expenditure statement

2022/23	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		159	-	-	159
Director of Resources and Assurance/Section 151 Officer		110	-	19	129
Director of Governance and Law/Monitoring Officer	1	63	-	-	63
Corporate Director, Children and Young People		135	-	24	159
Corporate Director, Community Wellbeing (interim)	3	31	-	5	36
Corporate Director, Community Wellbeing	3	105	-	19	124
Corporate Director, Economy and Environment		135	-	24	159
Director of Public Health		99	-	17	116
Director of HR and OD		92	-	16	108
<b>Total</b>		<b>929</b>	<b>-</b>	<b>124</b>	<b>1,053</b>

**Notes:**

1. The Director of Governance and Law commenced in post from 5 September 2022.
2. The Corporate Director, Children and Young People left on 31 March 2024.
3. The Director for Adults and Communities left on 4 July 2021. The post was filled by temporary contract during the period to June 2022 when the permanent appointee started. The post title became Corporate Director, Community Wellbeing.
4. The Director of Strategy and Performance commenced in post from 5 June 2023.

## Notes supporting the comprehensive income and expenditure statement

### 17. Termination benefits

Termination benefits are recognised in the surplus or deficit on the provision of services at the earlier of when the council can no longer withdraw an offer of benefits, or when the council recognises the costs of restructuring. Termination benefits are payable as a result of either:

- An employer's decision to terminate an employee's employment; or
- An employee's decision to accept voluntary redundancy

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end. The table does not include actuarial strain payable to the pension fund, which was £3.1 million (£0.1 million in 2022/23).

2022/23 Number of compulsory redundancies	2022/23 Number of other agreed departures	2022/23 Total number of exit packages	2022/23 Total cost of exit packages £000	Exit package cost banding	2023/24 Number of compulsory redundancies	2023/24 Number of other agreed departures	2023/24 Total number of exit packages	2023/24 Total cost of exit packages £000
2	12	14	103	£0 to £20,000	1	28	29	230
-	5	5	137	£20,001 to £40,000	-	5	5	152
-	-	-	-	£60,001 to £80,000	-	1	1	60
-	-	-	-	£80,001 to £100,000	-	1	1	93
<b>2</b>	<b>17</b>	<b>19</b>	<b>240</b>	<b>Total</b>	<b>1</b>	<b>35</b>	<b>36</b>	<b>535</b>

## 18. External audit costs

The fees payable to the appointed auditor, Grant Thornton UK LLP, are as follows.

2022/23 £000		2023/24 £000
	<b>Fees relating to the current year</b>	
102	Fees incurred for external audit services	344
119	Expected additional fees for external audit services	13
19	Fees incurred for certification work undertaken by external auditor	19
<b>240</b>	<b>Total current year fees</b>	<b>376</b>
	<b>Fees relating to prior years'</b>	
25	Fees incurred for external audit services	5
128	Additional fees incurred for external audit services	(67)
38	Fees incurred for certification work undertaken by external auditor	-
<b>191</b>	<b>Total prior years' fees</b>	<b>(62)</b>
<b>431</b>	<b>Total external audit fees</b>	<b>314</b>

This note shows all audit fees which went through the ledger in 2023/24. Anticipated fees for 2023/24 were £376k. Finalised fees for 2022/23 were £159k (of which a credit of £62k went through the ledger in 2023/24).

### 19. Property, plant and equipment

Physical assets that support the delivery of our services and have a life of more than one financial year are classified as Property, Plant and Equipment (PPE).

Expenditure on PPE is capitalised on an accrual basis in the accounts, unless it is maintenance only in which case it is charged to the Comprehensive Income and Expenditure Statement when it is incurred. Purchased assets are initially measured at cost. Non-purchased assets are measured at fair value, or at the carrying amount where there is no commercial substance (e.g. via exchange). The detailed bases for measuring assets are given below:

- Community assets and assets under construction – historical cost
- Land and buildings – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Vehicles, plant and equipment – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Infrastructure assets - depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England], which was deemed at that time to be historical cost

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Where the cost of this expenditure is met 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 so that there is no impact on the level of council tax

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer (for buildings this is between 23 and 56 years). For those assets classed as vehicles, plant, furniture and equipment, useful economic lives are estimated to be 5 years, unless the individual asset life is known (e.g. the waste asset is 30 years). New assets are not subject to a depreciation charge in the year of acquisition.

## Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. Further revaluations are carried out where there have been material changes.

The council's valuations as at 31 March 2024 have been completed by:

Mark Aldis (Hons) MRICS RICS Registered Valuer IRRV  
Wilks Head & Eve LLP  
3rd Floor 55 New Oxford Street  
London WC1A 1BS

Where increases in value are identified, the carrying amount of the asset is increased with a corresponding entry for the gain in the revaluation reserve.

Where decreases in value are identified, they are accounted for by:

- the carrying amount of the asset writing down the balance of revaluation gains for the asset in the revaluation reserve; or
- the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement where there is no, or insufficient, balance in the revaluation reserve

Upon revaluation (upwards or downwards) previously accumulated depreciation is eliminated and the asset shown at the newly revalued figure.

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

Where impairment losses are identified, they are accounted for by:

- 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 subsequently reversed, the reversal is credited to the relevant service line(s) 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

## 19.1 Property, plant and equipment movements

At 31 March 2024	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	387.9	39.2	1.6	3.9	0.8	433.4	41.3
Additions	6.5	2.3	-	0.9	0.9	10.6	0.4
Disposals	(1.0)	-	-	-	-	(1.0)	-
Revaluation	9.3	(0.2)	-	(1.6)	-	7.5	0.9
Reverse accumulated depreciation	(5.5)	(1.1)	-	-	-	(6.6)	(1.2)
Asset transfers	(1.6)	-	-	1.1	0.5	-	-
<b>Closing balance at 31 March</b>	<b>395.6</b>	<b>40.2</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>443.9</b>	<b>41.4</b>
<b>Depreciation</b>							
Opening balance at 1 April	(0.6)	(4.4)	-	-	-	(5.0)	(0.5)
Charge for the year	(6.0)	(2.1)	-	-	-	(8.1)	(1.4)
Reverse accumulated depreciation	5.5	1.1	-	-	-	6.6	1.2
<b>Closing balance at 31 March</b>	<b>(1.1)</b>	<b>(5.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>(0.7)</b>
<b>Closing net book value at 31 March</b>	<b>394.5</b>	<b>34.8</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>437.4</b>	<b>40.7</b>
<b>Opening net book value at 1 April</b>	<b>387.3</b>	<b>34.8</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>428.4</b>	<b>40.8</b>



## Infrastructure assets

In accordance with the temporary relief offered by the update to the CIPFA code on infrastructure assets, the PPE note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. The useful lives of the individual elements of the highways network are included in the table below.

Element of infrastructure assets	Useful life
Carriageways	20 years
Footways and cycleways	20 years
Street Furniture	30 years (Bus shelters 25 years)
Street Lighting	40 years
Structures	80 years
Traffic Management	15 years
Flood alleviation scheme	50 years

At 31 March 2024	£m
Infrastructure assets opening net book value at 1 April	261.7
Additions	23.1
Depreciation charge for the year	(36.4)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>248.4</b>
Net book value of PPE excluding infrastructure assets	437.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>685.8</b>

## Notes supporting the balance sheet

At 31 March 2023	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	361.4	36.9	1.6	4.5	-	404.4	39.9
Additions	7.6	1.1	-	0.2	0.8	9.7	0.2
Disposals	(3.8)	-	-	(0.6)	-	(4.4)	-
Revaluation	31.4	2.2	-	(1.5)	-	32.1	2.2
Reverse accumulated depreciation	(7.4)	(1.0)	-	-	-	(8.4)	(1.0)
Asset transfers	(1.3)	-	-	1.3	-	-	-
<b>Closing balance at 31 March</b>	<b>387.9</b>	<b>39.2</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>433.4</b>	<b>41.3</b>
<b>Depreciation</b>							
Opening balance at 1 April	(2.5)	(3.5)	-	-	-	(6.0)	(0.2)
Charge for the year	(5.5)	(1.9)	-	-	-	(7.4)	(1.3)
Reverse accumulated depreciation	7.4	1.0	-	-	-	8.4	1.0
<b>Closing balance at 31 March</b>	<b>(0.6)</b>	<b>(4.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.0)</b>	<b>(0.5)</b>
<b>Closing net book value at 31 March</b>	<b>387.3</b>	<b>34.8</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>428.4</b>	<b>40.8</b>
<b>Opening net book value at 1 April</b>	<b>358.9</b>	<b>33.4</b>	<b>1.6</b>	<b>4.5</b>	<b>-</b>	<b>398.4</b>	<b>39.7</b>

<b>At 31 March 2023</b>	<b>£m</b>
Infrastructure assets opening net book value at 1 April	283.4
Additions	24.2
Depreciation charge for the year	(45.9)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>261.7</b>
Net book value of PPE excluding infrastructure assets	428.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>690.1</b>

## 19.2 Revaluations

The carrying amount of assets on the rolling programme held at 31 March 2024 total £481.4 million. The effective date of the revaluations are as follows:

<b>Valued as at</b>	<b>Carrying amount of revalued assets £m</b>
31 March 2024	405.9
31 March 2023	63.1
31 March 2022	12.4
<b>Total</b>	<b>481.4</b>

### 19.3 Revaluation reserve

31 March 2023 £m		31 March 2024 £m
<b>(147.9)</b>	<b>Balance at 1 April</b>	<b>(168.6)</b>
(27.6)	Revaluations upwards	(12.0)
4.1	Revaluations downwards	1.1
0.5	Depreciation of revaluations	0.3
2.3	Disposal of revaluations	1.3
<b>(168.6)</b>	<b>Balance at 31 March</b>	<b>(177.9)</b>

### 19.4 Capital commitments

At 31 March 2024 the council had two significant capital commitments relating to the Homes Upgrade Grant schemes totalling £2.9 million. These suppliers provide energy saving installations in resident's properties. The council's policy is that significant contracts are those with a value greater than £1 million.

### 19.5 School assets

Where a school is under the council's control (i.e. under the responsibility of the council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the council's accounts and included within the figures disclosed in the statement of accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to academy status it is no longer under the control of the council and therefore its income, expenditure, assets, liabilities and reserves are no longer consolidated into the council's accounts.

In respect of any property, plant and equipment associated with schools, the council has determined that community schools, voluntary aided and voluntary controlled schools are included in the balance sheet. Voluntary aided schools' long term assets are owned by the school trustees however under these assets have been recognised due to the probability that the future economic benefits associated with the asset will flow to the council and the cost of the asset can be measured reliably in accordance with IAS16. The fair value of schools is included using a depreciated replacement cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

## 19.6 Capital adjustment account

31 March 2023 £m		31 March 2024 £m
(308.5)	<b>Balance at 1 April</b>	<b>(303.3)</b>
	<b>Capital financing:</b>	
(6.2)	Capital receipts	(4.0)
(21.9)	Capital grants and contributions	(23.7)
(0.6)	Revenue contributions to capital expenditure	(3.2)
<b>(28.7)</b>	<b>Total capital financing</b>	<b>(30.9)</b>
(10.3)	Downward revaluations charged to comprehensive income and expenditure statement	(7.3)
53.4	Depreciation charged to comprehensive income and expenditure statement	44.6
(12.6)	Minimum revenue provision	(10.9)
1.2	Revenue expenditure funded from capital under statute	3.6
2.3	Disposal of non-current assets	0.4
(1.1)	PFI adjustments	-
1.0	Other adjustments	2.9
<b>(303.3)</b>	<b>Balance at 31 March</b>	<b>(300.9)</b>

## 20. Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Rentals earned are recognised as income in the comprehensive income and expenditure statement on an accruals basis. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale. Management aim for a minimum return of 4% on investment assets.

31 March 2023 £m		31 March 2024 £m
	<b>Cost or valuation</b>	
40.1	Opening balance at 1 April	41.9
0.4	Additions	0.5
(0.4)	Disposals	(0.2)
1.8	Revaluation	10.4
<b>41.9</b>	<b>Closing balance at 31 March</b>	<b>52.6</b>

Investment property value is measured at fair value in compliance with IFRS 13. A definition of fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions. Gains and losses on revaluation are included in the financing and investment income and expenditure line in the comprehensive income and expenditure statement. Gains or losses on disposal of an investment property are treated in the same way. Gains or losses recognised in the comprehensive income and expenditure statement are not proper charges to the general fund and are reversed out through the movement in reserves statement. For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent.

Fair value measurement using other significant observable inputs Level 2	£m
Investment properties at 31 March 24	52.6
Investment properties at 31 March 23	41.9

## 21. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including those acquired under finance and PFI contracts) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

2022/23 £m		2023/24 £m
<b>308.4</b>	<b>Opening capital financing requirement</b>	<b>304.4</b>
	<b>Capital investment</b>	
34.4	Property, plant and equipment	33.5
0.1	Intangible assets	0.3
0.4	Investment properties	0.5
10.9	Revenue expenditure funded from capital under statute	12.4
0.2	Assets acquired under PFI contracts	0.2
0.6	Long term debtors (including loans and PFI prepayments)	0.6
	<b>Sources of finance</b>	
(4.6)	Capital receipts	(0.9)
(1.6)	Loan fund principal	(1.7)
(31.6)	Government grants and other contributions	(32.5)
	<b>Sums set aside from revenue</b>	
(0.2)	Direct revenue contributions	(2.8)
(12.6)	Minimum revenue provision	(10.9)
<b>304.4</b>	<b>Closing capital financing requirement</b>	<b>303.1</b>
	<b>Explanation of movements in year</b>	
10.0	Increase in underlying need to borrow	11.1
0.2	Assets acquired under PFI contracts	0.2
(1.6)	Repayment of long term debtors	(1.7)
(12.6)	Minimum revenue provision	(10.9)
<b>(4.0)</b>	<b>Adjusted to services</b>	<b>(1.3)</b>

## Minimum Revenue Provision (MRP)

Minimum Revenue Provision (MRP) is a charge to the general fund with a matching entry in the capital adjustment account. It represents an annual contribution from revenue towards the provision for the reduction in our overall borrowing requirement. MRP is charged over a period that is broadly commensurate with the period over which the council receives benefit from the asset.

The minimum revenue provision (MRP) is calculated as follows:-

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on unsupported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year

## 22. Short term debtors

31 March 2023 £m		31 March 2024 £m
11.0	Trade receivables	17.4
2.1	Prepayments	2.3
2.0	Non-domestic rates	2.3
8.6	Council Tax	10.0
4.1	VAT	4.7
7.4	Other receivables	6.1
<b>35.2</b>	<b>Total</b>	<b>42.8</b>

Other receivables includes capital debtors, sundry debtors, housing benefit debtors and impairment for bad debts provision (Note T2.5).



## 23. Cash and cash equivalents

Cash is represented by cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are deemed to be 'on-call' investments, where investments can be recalled immediately.

31 March 2023 £m		31 March 2024 £m
7.3	Cash held by the council	6.2
18.2	Short term deposits	18.7
<b>25.5</b>	<b>Total</b>	<b>24.9</b>
(2.2)	Bank current accounts	(1.8)
<b>23.3</b>	<b>Total</b>	<b>23.1</b>

## 24. Short term creditors

31 March 2023 £m		31 March 2024 £m
(5.0)	Trade payables	(2.6)
(14.5)	Receipts in advance	(14.1)
(3.2)	Employee leave accrual	(3.7)
(2.1)	Council Tax	(1.9)
(7.5)	Non-domestic rates	(7.0)
(27.0)	Other payables	(35.7)
<b>(59.3)</b>	<b>Total</b>	<b>(65.0)</b>

Other payables includes capital creditors, sundry creditors, deposits, grants creditors and payroll holding codes.

## 25. Capital grants receipts in advance

31 March 2023 £m		31 March 2024 £m
(2.2)	Central government bodies	(1.6)
(13.5)	Other grants and contributions	(14.4)
<b>(15.7)</b>	<b>Total</b>	<b>(16.0)</b>

### 26. Private finance initiatives (PFI)

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on its balance sheet. The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider. Property, plant and equipment recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI contractors each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure statement
- Finance cost – a percentage interest charge on the outstanding balance sheet liability, debited to interest payable and similar charges in the comprehensive income and expenditure statement under financing, investment income and expenditure
- Contingent rent – differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the comprehensive income and expenditure statement
- Payment towards liability – applied to write down the balance sheet liability, current and long term, towards the PFI operator
- Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the balance sheet and recognised as property, plant and equipment when the contractor incurs the expenditure

The council has two formal PFIs: Whitecross School and Waste disposal (in partnership with Worcestershire County Council) and one other contract identified as falling under IFRIC 12, the Shaw Healthcare contract.

#### **Mercia Waste Management Limited – Waste management PFI contract**

In 1998 Herefordshire Council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative. Under the contract the authorities are required to ensure that all waste for disposal is delivered to the contractor, who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500 million of which approximately 25% relates to Herefordshire Council. The original life of the contract was 25 years with the option to extend this by 5 years, this extension was opted in January 2024.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction was completed in 2017 with a funding requirement of £195 million and an uplift to the annual unitary charge for both councils of £2.7 million. Both councils will be providing circa 82% of the project finance requirement from their own planned borrowing from the Public Works Loan Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Limited. The loan is shown under long term debtors on the balance sheet and the effective interest rate is shown under financial investments on the comprehensive income and expenditure statement.

**Stepnell Limited – School PFI contract**

The Whitecross School PFI project has delivered a fully equipped 900 place secondary school with full facilities management services. The contract with Stepnell Limited has an overall value of £74 million and lasts for 25 years. During the 2012/13 financial year the school transferred to academy status but the obligations under the PFI contract remain with the council.

**Shaw Homes**

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare’s performance in providing services. The payments in respect of this contract were £5.0 million in 2023/24 (£4.5 million in 2022/23).

**26.1. PFI liabilities**

The payments to the contractors compensate them for the fair value of the services they provide, capital expenditure incurred and interest payable. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

31 March 2023 Total £m		31 March 2024 Shaw Healthcare £m	31 March 2024 Whitecross school £m	31 March 2024 Waste disposal £m	31 March 2024 Total £m
(44.5)	Balance outstanding at 1 April	(5.7)	(9.2)	(25.1)	(40.0)
4.5	Payments during the year	0.3	0.8	1.1	2.2
(40.0)	<b>Balance outstanding at 31 March</b>	<b>(5.4)</b>	<b>(8.4)</b>	<b>(24.0)</b>	<b>(37.8)</b>

**26.2. PFI payments**

The table below shows an estimate of the payments to be made under the PFI and similar contracts.

	Service charges £m	Lifecycle costs £m	Finance liability £m	Interest £m	Total £m
Within 1 year	12.9	0.5	2.4	3.3	19.1
Within 2 to 5 years	52.8	2.0	11.3	12.1	78.2
Within 6 to 10 years	24.6	1.8	5.9	8.2	40.5
Within 11 to 15 years	1.4	-	0.2	0.6	2.2
<b>Balance outstanding at 31 March</b>	<b>91.7</b>	<b>4.3</b>	<b>19.8</b>	<b>24.2</b>	<b>140.0</b>

## 27. Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of a leased asset lie with the lessor or the lessee. The council does not hold any finance leases.

### 27.1 Operating leases – the council as a lessee

Where the council is lessee – an operating lease is recognised as an expense on a straight line basis over the lease term.

31 March 2023 £m		31 March 2024 £m
0.5	In the year	0.5
0.4	Not later than 1 year	0.5
1.1	Between 1 and 5 years	1.4
1.2	Over 5 years	1.1
<b>3.2</b>	<b>Total due in future years</b>	<b>3.5</b>

### 27.2 Operating leases – the council as a lessor

Where the council is lessor – the asset is recognised under the relevant category of assets. Costs, including depreciation, are recognised as an expense and income is recognised in the comprehensive income and expenditure statement on a straight-line basis over the lease term.

31 March 2023 £m		31 March 2024 £m
(3.5)	Not later than 1 year	(4.2)
(9.5)	Between 1 and 5 years	(11.8)
(22.0)	Over 5 years	(29.0)
<b>(35.0)</b>	<b>Total due in future years</b>	<b>(45.0)</b>

## 28. Adjustments between accounting basis and funding basis under regulations

2023/24	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(44.6)	-	-	-	44.6
Impairment and revaluation losses of non-current assets	7.3	-	-	-	(7.3)
Amount by which council tax and non-domestic rate income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations	(0.7)	-	-	-	0.7
Statutory provision for the repayment of debt (MRP)	10.9	-	-	-	(10.9)
Amount by which pension costs calculated in accordance with IAS 19 are different from the contributions due under the pension scheme regulations	1.5	-	-	-	(1.5)
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	24.9	-	-	(24.9)	-
Capital grants and contributions applied to capital financing	10.6	-	-	13.1	(23.7)
Other individual non material adjustments	(8.3)	-	1.9	-	6.4
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>1.6</b>	<b>-</b>	<b>1.9</b>	<b>(11.8)</b>	<b>8.3</b>

## Notes supporting the movement in reserves statement

2022/23	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(53.4)	-	-	-	53.4
Impairment and revaluation losses of non-current assets	10.3	-	-	-	(10.3)
Amount by which council tax and non-domestic rate income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations	8.6	-	-	-	(8.6)
Statutory provision for the repayment of debt (MRP)	12.6	-	-	-	(12.6)
Amount by which pension costs calculated in accordance with IAS 19 are different from the contributions due under the pension scheme regulations	(17.4)	-	-	-	17.4
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	11.7	-	-	(11.7)	-
Capital grants and contributions applied to capital financing	13.3	-	-	8.5	(21.8)
Other individual non material adjustments	(3.6)	-	3.1	-	0.5
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>(17.9)</b>	<b>-</b>	<b>3.1</b>	<b>(3.2)</b>	<b>18.0</b>

## Notes supporting the movement in reserves statement

### 29. Movement in usable reserves

Usable reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
General fund	Revenue resources available to meet future commitments	(9.6)	-	-	(9.6)
Earmarked reserves	Set aside from the general fund for future expenditure to support specific corporate priorities (see note 31)	(81.8)	30.0	(21.4)	(73.2)
Capital receipts reserve	Capital receipts available to meet future capital expenditure	(40.1)	4.0	(2.1)	(38.2)
Capital grants unapplied	Capital grants available to meet future capital expenditure	(19.0)	13.1	(24.9)	(30.8)
<b>Total</b>		<b>(150.5)</b>	<b>47.1</b>	<b>(48.4)</b>	<b>(151.8)</b>

### 30. Movement in unusable reserves

Unusable reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year	3.3	(3.3)	3.7	3.7
Capital adjustment account	Timing differences on capital financing and consumption	(303.3)	33.3	(30.9)	(300.9)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements	(6.7)	(9.2)	9.9	(6.0)
Financial instruments adjustment account	Valuation gains and losses on financial instruments carried at fair value	0.4	-	-	0.4
Pensions reserve	Movement in measurement of the net defined pension liability	24.1	(60.9)	46.5	9.7
Revaluation reserve	Unrealised gains and losses arising from revaluations of long term assets	(168.6)	2.7	(12.0)	(177.9)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	1.1	-	5.0	6.1
<b>Total</b>		<b>(449.7)</b>	<b>(37.4)</b>	<b>22.2</b>	<b>(464.9)</b>

## Notes supporting the movement in reserves statement

### 31. Movement in earmarked reserves

Earmarked reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
Business rates reserve	To smooth the impact of changes in business rates retention, collection and funding	(13.1)	-	(6.6)	(19.7)
Schools' balances	Balances held for individual maintained schools	(9.3)	-	(0.6)	(9.9)
Waste reserve	To support increased future costs on waste disposal and collection services	(9.4)	4.3	(1.7)	(6.8)
Financial resilience reserve	Amounts set aside to support financial risk	(1.2)	0.2	(2.1)	(3.1)
Unused grants carried forward	Unspent grant monies earmarked for future expenditure	(17.6)	8.7	(8.4)	(17.3)
Other individually non material reserves		(31.2)	16.8	(2.0)	(16.4)
<b>Total</b>		<b>(81.8)</b>	<b>30.0</b>	<b>(21.4)</b>	<b>(73.2)</b>



## 32. Cash flows from operating activities

### 32.1 Adjustments for non-cash movements

2022/23 £m		2023/24 £m
(2.4)	Movement in debtors	6.1
14.1	Movement in creditors	(5.7)
0.2	Movement in inventories	-
(43.1)	Depreciation, amortisation and impairment of non-current assets	(37.3)
(4.7)	Carrying amount of non-current assets sold	(1.3)
(17.4)	Net charges for retirement benefits	1.5
0.4	Movement in provisions	1.7
<b>(52.9)</b>	<b>Total adjustment for non-cash movements</b>	<b>(35.0)</b>

### 32.2 Adjustments for items included in the surplus/deficit that are investing and financing activities

2022/23 £m		2023/24 £m
1.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0.6
25.0	Any other items for which the cash effects are investing or financing cash flows	35.5
<b>26.4</b>	<b>Total adjustment for investing and financing activities</b>	<b>36.1</b>

### 33. Cash flows from investing activities

2022/23 £m		2023/24 £m
34.3	Purchase of property, plant and equipment, investment property and intangible assets	34.4
(4.1)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.7
90.5	Purchase of short term investments	65.0
(96.0)	Proceeds from short term investments	(77.5)
(27.6)	Other receipts from investing activities	(38.3)
2.3	Other payments for investing activities	0.5
<b>(0.6)</b>	<b>Total cash flows from investing activities</b>	<b>(13.2)</b>

Other receipts from investing activities includes receipts of capital grants and receipts from long term loans.

### 34. Cash flows from financing activities

2022/23 £m		2023/24 £m
4.5	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	2.2
6.9	Repayments of short and long term borrowing	3.1
<b>11.4</b>	<b>Total cash flows from financing activities</b>	<b>5.3</b>

## T1. Pension schemes

Employees of the council are members of three separate pension schemes;

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The NHS pension scheme (for Public Health transferred staff)
- The Local Government Pension Scheme administered by Worcestershire County Council (LGPS)

Pension schemes are classed as either defined contribution or defined benefit plans. The above schemes provide defined benefits to members, built up during the time that employees work for the council. The arrangements for the Teachers' and NHS schemes mean that the liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the revenue account is charged with the employer's contributions payable to the schemes in the year.

The Local Government Pension Scheme is accounted for as a defined benefit scheme. The liabilities are included in the balance sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Liabilities are discounted to their value at current prices using a discount rate (based on market yields and other factors). Assets are included in the balance sheet at their fair value determined through market or bid prices or using professional valuations. The change in the net pension's liability is analysed into six components;

- Current service cost: The increase in liabilities as a result of service earned in the year is allocated to the revenue account of the services for which the employee worked, within the comprehensive income and expenditure statement
- Past service cost: The increase in liabilities arising from a scheme amendment or curtailment whose effect relates to service earned in earlier years is debited to the net cost of services in the comprehensive income and expenditure statement
- Net Interest on the defined benefit liability: The change during the period that arises from the passage of time is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement
- Return on plan assets: Charged to the pensions reserve as other comprehensive income and expenditure but excludes amounts included in net interest on defined benefit liability
- Remeasurement of the net defined benefit liability: Changes in the net pensions liability that arise because events have not coincided with assumptions previously made by the actuaries is included in other comprehensive income and expenditure
- Contributions paid to the pension fund: Cash paid as employer's contributions to the pension fund

## T1.1. Pension schemes accounted for as defined contribution schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, which is a defined benefit scheme administered by the Teachers Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate. It is not possible for the council to identify its share of the underlying liabilities in the scheme attributable to its own employees, and therefore for the purposes of the statement of accounts it is accounted for on the same basis as a defined contribution scheme, that is, actual costs are included in the revenue accounts, with no assets and liabilities in the balance sheet.

In 2023/24 the council paid employer contributions of £7.4 million (2022/23 £7.4 million) in respect of teachers' pension costs. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.5 million is included in the pension fund liability in the balance sheet in 2023/24 (£0.5 million in 2022/23).

## T1.2. Defined benefit pension schemes

Employees are eligible to join the Local Government Pension Scheme (LGPS) administered by Worcestershire County Council. This is a funded scheme, which means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. The pension scheme is operated under the regulatory framework for Local Government Pension Schemes.

Under IAS 19 the cost of retirement benefits is included in the cost of services when it is earned by employees, rather than when it is paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of the retirement benefits is reversed out to the pensions reserve via the movement in reserves statement.

### T1.3. Transactions relating to pension schemes

2022/23 £m		2023/24 £m
	<b>Comprehensive income and expenditure statement</b>	
	<b>Cost of services</b>	
25.5	Current service cost	11.2
0.1	Past service cost	0.9
	<b>Financing and investment income and expenditure</b>	
7.4	Net interest expense	0.5
0.2	Administration expenses	0.3
<b>33.2</b>	<b>Total post-employment benefit charged to the surplus/deficit on the provision of services</b>	<b>12.9</b>
	<b>Other comprehensive income and expenditure</b>	
82.9	Remeasurement arising on changes in experience	3.7
(315.7)	Remeasurement arising on changes in financial assumptions	0.2
(12.5)	Remeasurement arising on changes in demographic assumptions	(9.1)
(21.3)	Return on plan assets	(40.9)
-	Impact of pension net asset ceiling	33.6
-	Other pension transactions	(0.4)
<b>(266.6)</b>	<b>Total post-employment benefit charged to other comprehensive income and expenditure</b>	<b>(12.9)</b>
	<b>Movement in reserves statement</b>	
(33.2)	Reversal of net charges made to the surplus/deficit on the provision of services	(12.9)
15.6	Amount charged to the general fund balance for employer's contribution payable in the year	14.4

The council made an up-front payment of employer’s contributions payable to the scheme of £1.5 million in June 2023 for the three years 2023/24 to 2025/26. This has resulted in a difference between the value of the pensions reserve and the net pension liability on the balance sheet as noted in the table below.

	Note	31 March 2024 £m
<b>Balance on the pension reserve for LGPS</b>	<b>T1.10</b>	<b>9.2</b>
2024/25 upfront payment		(0.5)
2025/26 upfront payment		(0.5)
<b>Balance on the net pension liability for LGPS</b>	<b>T1.4</b>	<b>8.2</b>

### T1.4. Pension assets and liabilities recognised in the balance sheet

31 March 2023 £m		31 March 2024 £m
555.9	Present value of the defined benefit obligation	572.3
(532.2)	Fair value of plan assets	(564.1)
<b>23.7</b>	<b>Net liability arising from defined benefit obligation – LGPS</b>	<b>8.2</b>
0.4	Unfunded teachers pension liability	0.5
<b>24.1</b>	<b>Total net pension liability</b>	<b>8.7</b>

As at 31 March 2024, the fair value of plan assets were measured at greater than the present value of the defined benefit obligation, resulting in a net pension asset. The accounting standard interpretation IFRIC 14 restricts the amount of the net pension asset that can be recognised on the balance sheet to the estimated economic benefit of the net asset arising from a reduction in future contributions, amending for any additional liabilities arising from past service contributions. This asset ceiling calculation has resulted in a credit to the balance sheet value of £33.6 million.

### T1.5. Reconciliation of the present value of scheme liabilities (LGPS)

31 March 2023 £m		31 March 2024 £m
769.1	Opening balance at 1 April	555.9
25.5	Current service cost	11.2
0.1	Past service cost	0.8
21.4	Interest cost	26.0
-	Administration expenses	0.3
4.0	Contribution by scheme participants	4.3
(245.3)	Remeasurement arising from changes in assumptions	(5.2)
(18.9)	Benefits/transfers paid	(19.5)
-	Prepayment of pension deficit	(1.5)
<b>555.9</b>	<b>Closing balance at 31 March</b>	<b>572.3</b>

### T1.6. Reconciliation of the fair value of scheme assets (LGPS)

31 March 2023 £m		31 March 2024 £m
496.5	Opening balance at 1 April	532.2
13.9	Interest income	25.4
21.3	Return on plan assets	40.9
(0.2)	Administration expenses	-
15.6	Contribution from employer	14.4
4.0	Contributions from employees	4.3
(18.9)	Benefits/transfers paid	(19.5)
-	Impact of pension net asset ceiling	(33.6)
<b>532.2</b>	<b>Closing balance at 31 March</b>	<b>564.1</b>

The actual return on scheme assets in the year was £70.5 million, 12.5% of the period end assets (2022/23 £4.8 million, 0.9%).

## T1.7. Local government pension scheme assets

31 March 2023 £m		Quoted Y/N	31 March 2024 £m
	<b>Cash</b>		
7.8	Cash instruments	N	10.2
	<b>Equity instruments</b>		
0.6	UK quoted	Y	-
118.9	Overseas quoted	Y	-
66.9	Pooled investment vehicle – UK managed funds	N	-
194.2	Pooled investment vehicle – UK managed funds (overseas equities)	N	-
3.9	Pooled investment vehicle – overseas managed funds	N	-
-	Other	Y	63.1
-	Private equity	N	0.2
	<b>Property</b>		
5.7	UK property debt	N	32.0
3.8	Overseas property debt	N	15.8
36.2	UK property funds	N	-
	<b>Investment funds and unit trusts</b>		
-	Equities	Y	353.7
13.8	Bonds	Y	11.8
68.7	Infrastructure	N	104.4
11.7	Other	N	6.5
<b>532.2</b>	<b>Closing fair value of scheme assets (before impact of pension net asset ceiling)</b>		<b>597.7</b>
-	Impact of pension net asset ceiling		(33.6)
<b>532.2</b>	<b>Closing fair value of scheme assets</b>		<b>564.1</b>



## T1.8. Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2022. The principal assumptions used by the actuary have been:

31 March 2023		31 March 2024
	<b>Mortality assumptions</b>	
	<b>Longevity at 65 for current pensioners (in years)</b>	
22.0	Men	21.3
24.2	Women	23.6
	<b>Longevity at 65 for future pensioners (in years)</b>	
23.3	Men	22.6
26.1	Women	25.5
	<b>Financial assumptions</b>	
2.7%	Rate of CPI inflation	2.8%
4.2%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.8%
4.8%	Rate for discounting scheme liabilities	4.8%

## T1.9. Impact on the council's cash flows

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2025 is £12.5 million.

## T1.10. 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 pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The LGPS deficit includes a provision for the assessed financial impact of the case law decision in respect of the protections for members nearing retirement being deemed to have given rise to an unlawful age discrimination to younger workers without those protections (McCloud).

31 March 2023 £m		31 March 2024 £m
273.3	Balance at 1 April	24.1
(266.7)	Return on plan assets	(46.0)
33.2	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the comprehensive income and expenditure statement	12.9
(15.7)	Employer’s pension contributions and direct payments to pensioners payable in the year	(14.4)
-	Employer’s pension contributions – prepayment adjustment	(0.5)
-	Impact of pension net asset ceiling	33.6
<b>24.1</b>	<b>Balance at 31 March</b>	<b>9.7</b>
23.7	Local government pension scheme	9.2
0.4	Teachers pension scheme	0.5
<b>24.1</b>	<b>Balance at 31 March</b>	<b>9.7</b>

## T2. Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument, such as share capital) of another entity. They are valued in line with the requirements of IFRS 13 (fair value), the recognition and measurement of financial instruments is reported in accordance with IFRS 9.

### T2.1. Income, expense, gains and losses

The following amounts relating to financial instruments are included in the comprehensive income and expenditure statement.

2022/23 Financial liabilities at amortised cost £m	2022/23 Financial assets: loans and receivables £m	2022/23 Total £m		2023/24 Financial liabilities at amortised cost £m	2023/24 Financial assets: loans and receivables £m	2023/24 Total £m
			<b>Interest payable and similar charges</b>			
5.0	-	5.0	On loans	4.8	-	4.8
2.0	-	2.0	On PFI liabilities	3.5	-	3.5
<b>7.0</b>	<b>-</b>	<b>7.0</b>	<b>Total expenditure in surplus/deficit on the provision of services</b>	<b>8.3</b>	<b>-</b>	<b>8.3</b>
			<b>Interest receivable</b>			
-	(2.2)	(2.2)	On loans	-	(1.7)	(1.7)
-	(2.2)	(2.2)	On investments	-	(3.7)	(3.7)
<b>-</b>	<b>(4.4)</b>	<b>(4.4)</b>	<b>Total income in surplus/deficit on the provision of services</b>	<b>-</b>	<b>(5.4)</b>	<b>(5.4)</b>
<b>7.0</b>	<b>(4.4)</b>	<b>2.6</b>	<b>Net (gain)/loss for the year</b>	<b>8.3</b>	<b>(5.4)</b>	<b>2.9</b>

## T2.2. Financial assets

The council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. All of the council's financial assets are therefore classified as amortised cost. Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes 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 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) and interest credited is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. 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.

31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m		31 March 2024 Per balance sheet £m	31 March 2024 Financial instruments £m
34.6	34.6	Long term debtors – loans	33.2	33.2
2.7	-	Long term debtors – PFI lifecycle costs	2.6	-
<b>37.3</b>	<b>34.6</b>	<b>Total long term debtors</b>	<b>35.8</b>	<b>33.2</b>
37.7	37.7	Short term investments	25.4	25.4
<b>37.7</b>	<b>37.7</b>	<b>Total short term investments</b>	<b>25.4</b>	<b>25.4</b>
25.5	25.5	Cash and cash equivalents	24.9	24.9
<b>25.5</b>	<b>25.5</b>	<b>Total cash and cash equivalents</b>	<b>24.9</b>	<b>24.9</b>
29.4	29.4	Short term debtors – Sales invoices and contractual rights	34.6	34.6
14.7	-	Short term debtors – Statutory debts (council tax, vat)	16.9	-
2.0	-	Short term debtors – prepayments	2.3	-
(10.9)	-	Short term debtors – bad debt provisions	(11.0)	-
<b>35.2</b>	<b>29.4</b>	<b>Total short term debtors</b>	<b>42.8</b>	<b>34.6</b>
<b>135.7</b>	<b>127.2</b>	<b>Total assets</b>	<b>128.9</b>	<b>118.1</b>

## T2.3. Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity. Financial liabilities are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument and are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The effective interest rate is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement.

31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m		31 March 2024 Per balance sheet £m	31 March 2024 Financial instruments £m
(2.2)	(2.2)	Cash and cash equivalents	(1.8)	(1.8)
<b>(2.2)</b>	<b>(2.2)</b>	<b>Total cash and cash equivalents</b>	<b>(1.8)</b>	<b>(1.8)</b>
(0.1)	(0.1)	Short term borrowing – bank loans	(0.1)	(0.1)
(3.9)	(3.9)	Short term borrowing – public works loan board	(7.9)	(7.9)
<b>(4.0)</b>	<b>(4.0)</b>	<b>Total short term borrowing</b>	<b>(8.0)</b>	<b>(8.0)</b>
(25.3)	(25.3)	Short term creditors – invoiced amounts and other contractual liabilities	(30.6)	(30.6)
(10.5)	-	Short term creditors – statutory liabilities (PAYE)	(10.0)	-
(22.6)	-	Short term creditors – accruals and receipts in advance	(23.4)	-
(0.9)	-	Short term creditors – funds and deposits held	(1.0)	-
<b>(59.3)</b>	<b>(25.3)</b>	<b>Total short term creditors</b>	<b>(65.0)</b>	<b>(30.6)</b>
(12.4)	(12.4)	Long term borrowing – bank loans	(12.4)	(12.4)
(107.5)	(107.5)	Long term borrowing – public works loan board	(100.6)	(100.6)
<b>(119.9)</b>	<b>(119.9)</b>	<b>Total long term borrowing</b>	<b>(113.0)</b>	<b>(113.0)</b>
(40.0)	(40.0)	Other long term liabilities – PFI and finance leases	(37.8)	(37.8)
(24.1)	-	Other long term liabilities – pensions liability	(8.7)	-
<b>(64.1)</b>	<b>(40.0)</b>	<b>Total other long term liabilities</b>	<b>(46.5)</b>	<b>(37.8)</b>
<b>(249.5)</b>	<b>(191.4)</b>	<b>Total liabilities</b>	<b>(234.3)</b>	<b>(191.2)</b>

## T2.4. Fair value of assets and liabilities

Financial liabilities and financial assets are carried in the balance sheet at amortised cost, but fair value disclosures are required by the Code. Fair value is the price that would be received/paid in an orderly transaction between market participants at the measurement date. The fair value has been assessed by calculating the present value of the anticipated cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of Long term debtor loans have been calculated based on discounted contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing
- For PWLB and other loans, PWLB premature repayment rates and prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- The fair value of liabilities under PFI schemes have been calculated based on discounted contractual cash flows of the same remaining term

The fair value is higher than the carrying amount using premature repayment rates because the council's portfolio of longer-term loans are all fixed rate and the interest rates payable on these loans are generally higher than the relatively low rates prevailing at the balance sheet date. Therefore the fair value includes a premium that the council would have to pay if the lender agreed to early repayment of the loans.

The carrying amounts of other long term financial assets and liabilities in the balance sheet include commitments falling due under PFI schemes. The fair value of these commitments exceeds the carrying amount and represents the additional cost that could fall due if we were to terminate the PFI schemes as at the balance sheet date.

There are three tier levels in measuring fair value, these are:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability.

Fair values are shown in the table below, and have been provided by the council's treasury management advisors, using the income approach (converting future cash flows to a single current discounted amount).

31 March 2023 Carrying amount £m	31 March 2023 Fair value (premature repayment rate) £m	31 March 2023 Fair value (new loan rate) £m		Fair value hierarchy input level	31 March 2024 Carrying amount £m	31 March 2024 Fair value (premature repayment rate) £m	31 March 2024 Fair value (new loan rate) £m
			<b>Financial assets</b>				
34.6	34.6	34.6	Long term debtors	2	33.2	33.2	33.2
37.7	37.7	37.7	Short term investments	n/a	25.4	25.4	25.4
25.5	25.5	25.5	Cash and cash equivalents	n/a	24.9	24.9	24.9
29.4	29.4	29.4	Short term debtors	n/a	34.6	34.6	34.6
<b>127.2</b>	<b>127.2</b>	<b>127.2</b>	<b>Total financial assets</b>		<b>118.1</b>	<b>118.1</b>	<b>118.1</b>
			<b>Financial liabilities</b>				
(111.4)	(114.8)	(104.1)	Public works loan board	2	(108.5)	(105.6)	(96.4)
(12.5)	(13.8)	(11.6)	Bank loans (LOBOs)	2	(12.5)	(13.4)	(10.7)
(2.2)	(2.2)	(2.2)	Cash and cash equivalents	n/a	(1.8)	(1.8)	(1.8)
(25.3)	(25.3)	(25.3)	Short term creditors	n/a	(30.6)	(30.6)	(30.6)
(40.0)	(47.4)	(47.4)	PFI liabilities and finance leases	2	(37.8)	(36.3)	(36.3)
<b>(191.4)</b>	<b>(203.5)</b>	<b>(190.6)</b>	<b>Total financial liabilities</b>		<b>(191.2)</b>	<b>(187.7)</b>	<b>(175.8)</b>

## T2.5. Nature and extent of risks arising from financial instruments

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

- Credit risk: the possibility that other parties may fail to pay amounts owing to the council
- Liquidity risk: the possibility that the council may have insufficient funds available to meet its financial commitments
- Market risk: the possibility that the council may suffer financial loss as a result of economic changes such as interest rate fluctuations

The council has adopted CIPFA's treasury management in the public services code of practice in setting out a treasury management policy and strategies to control risks to financial instruments.

### Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). During 2023/24 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access money market funds.

Analysis of the amount outstanding on the council debtors control account at 31 March by age is shown below:

31 March 2023 £m		31 March 2024 £m
3.8	Less than 3 months	10.3
1.0	3 to 6 months	1.3
1.6	6 months to 1 year	1.4
4.6	More than 1 year	4.4
<b>11.0</b>	<b>Total</b>	<b>17.4</b>

The general impairment allowance for debtors has decreased by £0.3 million to £0.5 million.



**Liquidity risk**

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments. Instead the risk is that the council will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Therefore the strategy is to spread the maturity of the council’s loans so that a significant proportion does not require repayment or refinancing at the same time. The maturity analysis of the loan debt is as follows:

<b>31 March 2023</b> <b>£m</b>		<b>31 March 2024</b> <b>£m</b>
(4.4)	Less than 1 year	(8.0)
(7.0)	Between 1 and 2 years	(6.2)
(17.8)	Between 2 and 5 years	(12.9)
(21.4)	Between 5 and 10 years	(20.8)
(73.3)	More than 10 years	(73.1)
<b>(123.9)</b>	<b>Total</b>	<b>(121.0)</b>

**Market risk**

The council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have a significant impact on the council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the surplus or deficit on the provision of services would increase
- Borrowings at fixed rates – the fair value of borrowings would fall
- Investments at variable rates - the interest received credited to the surplus or deficit on the provision of services would rise
- Investments at fixed rates – the fair value of the assets would fall

Borrowings and investments are not carried at fair value in the balance sheet and so nominal gains and losses on fixed rate financial instruments would have no impact on the surplus or deficit on the provision of services. The impact on the general fund is through changes in interest payable and receivable. The council’s loans are all fixed rate which means that when the Bank Base Rate is low the interest rate paid on borrowing is relatively high compared to the rate received on investments.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council’s treasury advisors. The council sets an annual treasury management strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The table below demonstrates the financial effect of a 1% increase in interest rates at 31 March 2024.

	<b>1% increase in interest rates £m</b>
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.8)
Decrease in fair value of borrowing	9.7

# Group financial statements and notes



Herefordshire  
Council



## Group comprehensive income and expenditure statement

The group comprehensive income and expenditure statement shows the accounting costs in year of services provided by the group. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the movement in reserves statement.

2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net group expenditure £m		2023/24 Gross expenditure £m	2023/24 Gross income £m	2023/24 Net group expenditure £m
173.5	(117.5)	56.0	Children and Young People	194.5	(124.7)	69.8
115.6	(51.9)	63.7	Community Wellbeing	129.9	(59.0)	70.9
95.3	(27.3)	68.0	Economy and Environment	93.7	(26.7)	67.0
101.4	(60.4)	41.0	Corporate Services	97.6	(51.9)	45.7
<b>485.8</b>	<b>(257.1)</b>	<b>228.7</b>	<b>Net cost of services</b>	<b>515.7</b>	<b>(262.3)</b>	<b>253.4</b>
8.6	-	8.6	Other operating income and expenditure	6.4	-	6.4
15.1	(8.8)	6.3	Financing and investment income and expenditure	9.4	(19.8)	(10.4)
-	(211.0)	(211.0)	Taxation and non-specific grant income	-	(242.4)	(242.4)
<b>509.5</b>	<b>(476.9)</b>	<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>531.5</b>	<b>(524.5)</b>	<b>7.0</b>
		<b>(23.6)</b>	(Surplus)/deficit on revaluation of non-current assets			<b>(10.6)</b>
		<b>(266.5)</b>	Re-measurement of the net defined benefit liability			<b>(12.9)</b>
		<b>(290.1)</b>	<b>Other comprehensive (income) and expenditure</b>			<b>(23.5)</b>
		<b>(257.5)</b>	<b>Total comprehensive (income) and expenditure</b>			<b>(16.5)</b>

There is a minority interest of 20% in the subsidiary. There is £nil (2022/23 £nil) included in the surplus on the provision of services and in the total comprehensive income and expenditure figures that is attributable to the minority interest.

The group balance sheet shows the value of the assets and liabilities of the group, with the net assets matched by the reserves held. Reserves are categorised as usable (those the council can use to provide services), and unusable (those which cannot be used to provide services).

31 March 2023 £m		31 March 2024 £m
690.1	Property, plant and equipment	689.8
41.9	Investment property	52.6
0.4	Intangible assets	0.5
3.9	Heritage assets	4.1
37.3	Long term debtors	35.8
<b>773.6</b>	<b>Long term assets</b>	<b>782.8</b>
37.7	Short term investments	25.4
0.3	Inventories	0.3
36.2	Short term debtors	43.3
30.0	Cash and cash equivalents	26.3
<b>104.2</b>	<b>Current assets</b>	<b>95.3</b>

31 March 2023 £m		31 March 2024 £m
(4.0)	Short term borrowing	(8.0)
(61.4)	Short term creditors	(67.6)
(5.2)	Short term provisions	(3.5)
(2.2)	Cash and cash equivalents	(1.8)
<b>(72.8)</b>	<b>Current liabilities</b>	<b>(80.9)</b>
(1.8)	Long term provisions	(1.7)
(119.9)	Long term borrowing	(113.0)
(15.7)	Capital grants receipts in advance	(16.0)
(64.1)	Other long term liabilities	(46.5)
<b>(201.5)</b>	<b>Total long term liabilities</b>	<b>(177.2)</b>
<b>603.5</b>	<b>Net assets</b>	<b>620.0</b>
(153.8)	Usable reserves	(155.1)
(449.7)	Unusable reserves	(464.9)
<b>(603.5)</b>	<b>Total reserves</b>	<b>(620.0)</b>

There is a minority interest of 20% in the subsidiary. There is £0.7 million (2022/23 £0.7 million) included in Usable reserves that is attributable to the minority interest.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

## Group movement in reserves statement

The group movement in reserves statement shows the movement on the different reserves held, analysed into usable and unusable reserves. The net increase / decrease before transfers to / from earmarked reserves shows the statutory general fund balance before any discretionary transfers are undertaken.

	General fund £m	Earmarked reserves £m	Total General fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total Council reserves £m	Council's share of reserves of subsidiary £m	Total group reserves £m
<b>Balance at 31 March 2022</b>	(9.6)	(96.5)	(106.1)	(43.2)	(15.8)	(165.1)	(177.6)	(342.7)	(3.3)	(346.0)
Total comprehensive income and expenditure	17.9	-	17.9	-	-	17.9	(290.1)	(272.2)	14.7	(257.5)
Adjustments between group accounts and authority accounts	14.7	-	14.7	-	-	14.7	-	14.7	(14.7)	-
<b>Net (increase)/decrease before transfers</b>	<b>32.6</b>	<b>-</b>	<b>32.6</b>	<b>-</b>	<b>-</b>	<b>32.6</b>	<b>(290.1)</b>	<b>(257.5)</b>	<b>-</b>	<b>(257.5)</b>
Adjustments between accounting basis and funding basis under regulations	(17.9)	-	(17.9)	3.1	(3.2)	(18.0)	18.0	-	-	-
Transfers (to)/from earmarked reserves	(14.7)	14.7	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(272.1)</b>	<b>(257.5)</b>	<b>-</b>	<b>(257.5)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(449.7)</b>	<b>(600.2)</b>	<b>(3.3)</b>	<b>(603.5)</b>
Total comprehensive income and expenditure	(9.9)	-	(9.9)	-	-	(9.9)	(23.5)	(33.4)	16.9	(16.5)
Adjustments between group accounts and authority accounts	16.9	-	16.9	-	-	16.9	-	16.9	(16.9)	-
<b>Net (increase)/decrease before transfers</b>	<b>7.0</b>	<b>-</b>	<b>7.0</b>	<b>-</b>	<b>-</b>	<b>7.0</b>	<b>(23.5)</b>	<b>(16.5)</b>	<b>-</b>	<b>(16.5)</b>
Adjustments between accounting basis and funding basis under regulations	1.6	-	1.6	1.9	(11.8)	(8.3)	8.3	-	-	-
Transfers (to)/from earmarked reserves	(8.6)	8.6	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>8.6</b>	<b>8.6</b>	<b>1.9</b>	<b>(11.8)</b>	<b>(1.3)</b>	<b>(15.2)</b>	<b>(16.5)</b>	<b>-</b>	<b>(16.5)</b>
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>	<b>(3.3)</b>	<b>(620.0)</b>

## Group cash flow statement

The group cash flow statement shows the change in cash and cash equivalents of the group, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation, grant income and fees and charges.

2022/23 £m		2023/24 £m
32.6	Net (surplus)/deficit on the provision of services	7.0
(52.2)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(35.9)
26.4	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	36.1
<b>6.8</b>	<b>Net cash flows from operating activities</b>	<b>7.2</b>
(0.6)	Net cash flows from investing activities	(9.2)
11.4	Net cash flows from financing activities	5.3
<b>17.6</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>3.3</b>
45.4	Cash and cash equivalents at 1 April	27.8
27.8	Cash and cash equivalents at 31 March	24.5
<b>(17.6)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3.3)</b>

## G1. Introduction

Group accounts consolidate the single entity accounts of Herefordshire Council with its subsidiary, Hoople Ltd. The group accounts comprise:

- Group comprehensive income and expenditure statement
- Group balance sheet
- Group movement in reserves statement
- Group cash flow

Disclosure notes have only been included in the group accounts where they are materially different from those of the council's single entity accounts.

## G2. Basis of consolidation

Herefordshire Council owns 80% of the ordinary share capital of Hoople Ltd, a controlling share. Hoople Ltd is accounted for as a subsidiary in the group accounts, and is consolidated on a line by line basis using the acquisition method.

There are no other entities included in the group accounts, because they are not considered to be material to the group.



### G3. Financial performance of the subsidiary

The financial performance of Hoople Ltd is set out in the table below. These results include transactions and balances with the council, which have been eliminated in the group accounts.

Comprehensive income and expenditure statement	2022/23 £m	2023/24 £m	Balance sheet	31 March 2023 £m	31 March 2024 £m
Turnover	(23.5)	(25.8)	Non-current assets	-	4.0
(Profit) on ordinary activities before taxation	-	-	Current assets	6.6	3.4
Tax on profit on ordinary activities	-	-	Liabilities due within one year	(3.3)	(4.1)
(Profit) for the financial year after taxation	-	-	Liabilities due after more than one year	-	-
Other comprehensive income and expenditure	-	-	Net assets	3.3	3.3
Total comprehensive income and expenditure	-	-	Reserves	3.3	3.3

A full copy of the company's accounts can be obtained from the Directors, Hoople Ltd, Auxilium House, Legion Way, Hereford, HR1 1LN. The accounts are audited by Williamson & Croft.

### G4. Group accounting policies

In preparing group accounts, the council is required to align the accounting policies of the subsidiary with those of the council, and make consolidation adjustments if necessary. The accounting policies adopted by Hoople Ltd are considered to be consistent with the accounting policies adopted by the council, with the exception of those listed below:

#### **Taxation**

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income, profit and loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax for the prior period. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**Supplementary accounts:  
Collection fund statement and  
notes supporting the collection  
fund statement**



## Collection fund statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and business rates. From April 2013 the system of funding local authorities changed allowing council to retain 49% of the county's business rates.

2022/23 Total £m		Note	2023/24 Council tax £m	2023/24 Business rates £m	2023/24 Total £m
	<b>Amounts required to be credited to the collection fund</b>				
150.8	Council tax	C2	159.9	-	159.9
43.1	Business rates income	C1	-	41.3	41.3
-	Transitional protection payments receivable		-	4.5	4.5
	<b>Contribution towards previous year's deficit</b>				
6.8	Central government		-	-	-
0.1	Hereford and Worcester fire authority		-	-	-
6.7	Herefordshire Council		-	-	-
<b>207.5</b>	<b>Total</b>		<b>159.9</b>	<b>45.8</b>	<b>205.7</b>
	<b>Amounts required to be debited from the collection fund</b>				
	<b>Precepts, demands and shares</b>				
19.1	Central government		-	21.2	21.2
6.7	Hereford and Worcester fire authority		6.7	0.4	7.1
138.2	Herefordshire Council		127.0	20.7	147.7
5.1	Parish and town councils		5.4	-	5.4
17.5	West Mercia police		18.8	-	18.8
0.1	Transitional protection payments payable		-	-	-
	<b>Contribution towards previous year's surplus</b>				
-	Central government		-	2.2	2.2
0.1	Hereford and Worcester fire authority		0.1	-	0.1
1.3	Herefordshire Council		1.4	2.1	3.5
0.2	West Mercia police		0.2	-	0.2

## Collection fund statement

2022/23 Total £m		Note	2023/24 Council tax £m	2023/24 Business rates £m	2023/24 Total £m
	<b>Charges to collection fund</b>				
0.3	Cost of collection allowance		-	0.3	<b>0.3</b>
0.1	Write offs of uncollectable debt		0.5	0.4	<b>0.9</b>
0.9	Increase/(decrease) of bad debt provision		0.5	0.6	<b>1.1</b>
0.1	Changes in provision for appeals		-	(2.2)	<b>(2.2)</b>
0.7	Other transfers to the general fund		-	2.2	<b>2.2</b>
<b>190.4</b>	<b>Total</b>		<b>160.6</b>	<b>47.9</b>	<b>208.5</b>
<b>17.1</b>	<b>Surplus/(deficit) for the year</b>		<b>(0.7)</b>	<b>(2.1)</b>	<b>(2.8)</b>
<b>(6.6)</b>	<b>Balance bought forward</b>		<b>4.1</b>	<b>6.4</b>	<b>10.5</b>
<b>10.5</b>	<b>Balance carried forward</b>	<b>C3</b>	<b>3.4</b>	<b>4.3</b>	<b>7.7</b>

## C1. Business rates income

The total non-domestic rateable value at the year-end was £148.2 million and the national non-domestic rate multiplier for 2023/24 was 51.2p.

<b>Business rates income</b>	<b>2023/24 £m</b>
Annual debit	72.6
Less	
Empty allowances	(2.5)
Transitional relief	(5.5)
Discretionary relief	(0.7)
Mandatory relief	(8.4)
Small business rate relief	(8.8)
Funded reliefs	(5.1)
Enterprise zone relief	(0.3)
<b>Total</b>	<b>41.3</b>

## C2. Council tax income

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2023/24 was £2,203.71 including fire, police and parish precepts, with a range of between £2,145.51 and £2,327.20. The council tax base used for setting the council tax in 2023/24 was 71,073.11. The Band D equivalents in each valuation band are shown in the table below:

Band	Valuation range	Charge factor	Band D equivalent
A	Up to £40,000	6/9	5,434.18
B	£40,001 to £52,000	7/9	11,601.64
C	£52,001 to £68,000	8/9	12,545.66
D	£68,001 to £88,000	9/9	11,902.74
E	£88,001 to £120,000	11/9	13,583.85
F	£120,001 to £160,000	13/9	9,932.44
G	£160,001 to £320,000	15/9	5,758.39
H	Over £320,001	18/9	314.21
<b>Total</b>			<b>71,073.11</b>

Council tax income	2023/24 £m
Council tax debit	192.3
Banding change	4.8
Less	
Discounts	(16.7)
Exemptions	(5.4)
Council tax reduction	(14.6)
Disablement relief	(0.5)
<b>Total</b>	<b>159.9</b>

### C3. Collection fund surplus/(deficit)

The Collection Fund surplus at 31 March 2024 is split as follows:

	<b>Council tax £m</b>	<b>Business rates £m</b>	<b>Total £m</b>
Central government	-	2.2	<b>2.2</b>
Hereford and Worcester fire authority	0.1	-	<b>0.1</b>
Herefordshire Council	2.9	2.1	<b>5.0</b>
West Mercia police	0.4	-	<b>0.4</b>
<b>Total</b>	<b>3.4</b>	<b>4.3</b>	<b>7.7</b>



# Governance statements 2023/24



## Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2023 to 31 March 2024, the key governance mechanisms in place and planned improvements for 2024/25 and beyond.

Our risk management process is a key part of our governance arrangements and provides assurance that:

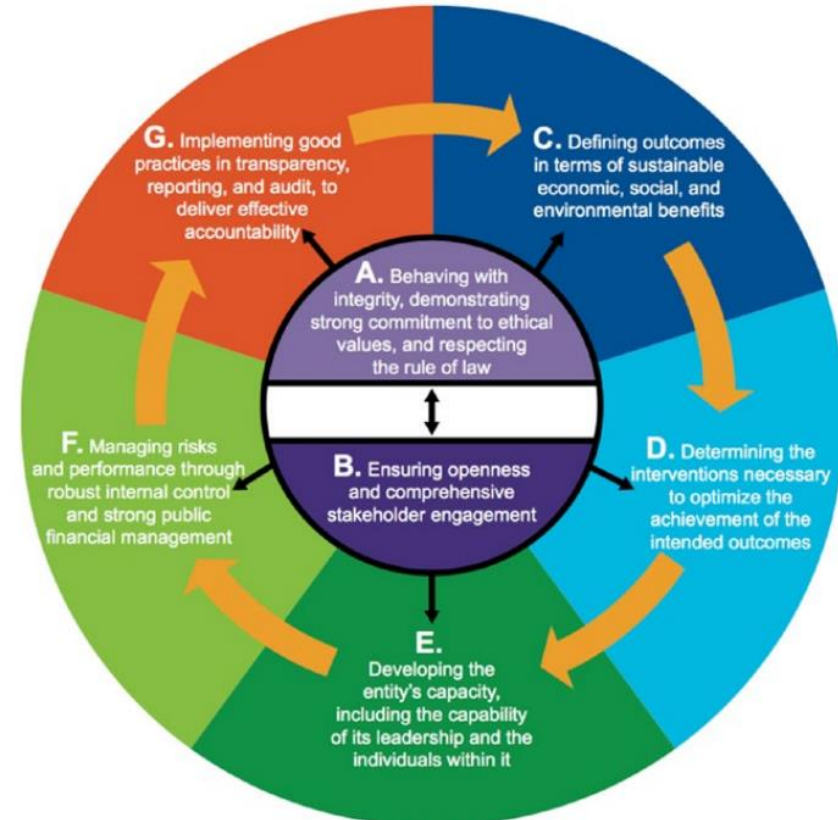
- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

## The purpose of the Governance Framework

The council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by the council's Constitution and processes which strengthen corporate governance.

Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.

This Annual Governance Statement is published in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016. The council aims to achieve good standards of governance by adhering to the seven core principles below:



## Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout 2023/24 are set out below:

### Leader, Cabinet and Council

The council operates a leader and cabinet model of governance in which the Leader and Cabinet are responsible for all of the council's executive functions except those required by law or the Constitution to be undertaken by full Council.

### Decision Making

Decisions may be taken by full Council, Cabinet, individual Cabinet Members (for decisions that sit within their portfolio areas), Committees and Sub-committees and Officers who have been delegated specific responsibilities in accordance with the council's scheme of delegation and financial procedure rules. There is an approved governance process for each type of decision, supported by the legal requirements and provisions set out in the council's Constitution.

### Risk and Performance Management

The council's risk management arrangements ensure operational and strategic risks are managed effectively to support increased performance and delivery of corporate priorities. Identified risks and mitigating controls are monitored through Service, Directorate and Corporate Risk Registers, reported to the Corporate Leadership Team and Audit and Governance Committee.

### Statutory Officers

- Head of Paid Service (the Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Corporate Leadership Team.
- Director of Governance and Legal Services (the Monitoring Officer): responsible for maintaining the Constitution and ensuring that

functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.

- Chief Finance (Section 151) Officer: responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the council's Scrutiny Committees within the council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer or Chief Finance Officer.

### Corporate Leadership Team

The council's Corporate Leadership Team (CLT) is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. CLT provides leadership, determines policy and upholds expected standards of behaviour.

### Scrutiny Committees

Scrutiny is a statutory role fulfilled by councillors who are not members of the Cabinet. The role of the scrutiny committees is to help develop policy, to carry out reviews of council and other local services, to provide effective challenge and to hold decision makers to account for their actions and decisions.

### Audit and Governance Committee

The Audit and Governance Committee oversees the council's audit and corporate governance arrangements and provides independent assurance on the adequacy of the risk management framework and internal controls. The Committee considers annual audit plans and reports of internal and external auditors.

**External Audit**

External Audit provide an opinion on the council's annual Statement of Accounts and review the council's Value For Money (VFM) arrangements which are designed to secure economy, efficiency and effectiveness in its use of resources.

**Internal Audit**

Internal Audit provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk based approach. The annual Internal Audit Plan comprises: operational audit reviews, cross-cutting governance audits, annual review of key financial system controls, IT audits, grant assurance work and any other special or unplanned review; aligned to the council's corporate risks.

## Review of Effectiveness

The review of effectiveness is informed by the work of Senior Officers and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit.

The results of the annual review of the effectiveness of the council's governance arrangements during 2023/24 are set out below and demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework.

Areas for improvement, where it is recognised that governance arrangements could be further strengthened, are included as part of the assessment and these are supported by a detailed action plan. Progress against the plan will be reported to Audit and Governance Committee to ensure that work is undertaken to deliver the identified improvements.

### Assessment of the effectiveness of governance arrangements during 2023/24

**Core Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Key aspects of the council's governance arrangements during 2023/24:

We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations. These include:

- Following the May 2023 election, an induction and training programme was provided for newly and re-elected Members. Mandatory training included ethical standards and the Code of

Conduct, information governance, scrutiny and decision making, corporate parenting and children and adults safeguarding.

- A programme of governance and decision making training was made available to all staff during 2023/24 and governance training is included as part of the council induction for new starters;
- A Colleague Handbook, developed during 2023/24, provides a useful reference tool to share key information and signpost staff to policies and procedures and the council's values and behaviours.
- Codes of Conduct for officers and Members.
- The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- A Whistleblowing Policy, approved by Audit & Governance Committee in 2023/24, which provides employees, and others with a framework to raise concerns that may be in the public interest.
- An Equality Policy, to demonstrate our commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010.
- Processes to support delivery of the council's ethical values including Declarations and Registers of Interests.
- A Corporate Complaints Policy ensuring effective investigation and appropriate response to formal complaints.
- The Shareholder Committee approved the appointment of new Directors to its subsidiary companies in April 2023 to ensure appropriate capacity and expertise in the representation of the council's interests.
- Arrangements and processes by which the Standards Panel consider breaches of the Code of Conduct have been strengthened during the year to improve transparency

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.
- We will continue to promote a culture of accountability and strong ethical values through additional training to Officers to support the documentation of evidence-based decision making and reporting.
- Improvements to governance arrangements for council business ventures will be delivered in 2024/25, to ensure lines of responsibility and accountability are clearly defined and delegations of authority are formally agreed. These principles will provide a robust control framework, supported by an adequate audit trail and promote further transparency in decision making.

**Core Principle B:** Ensuring openness and comprehensive stakeholder engagement

## **Key aspects of the council's governance arrangements during 2023/24:**

The Chief Executive and Corporate Leadership Team value are committed to ensuring that employee feedback is sought, listened to and acted upon. To promote engagement, maintain effective employee relations and share information, monthly all staff briefings are hosted by the Chief Executive and Leadership Group.

Activity during 2023/24 comprised:

- Strengthened engagement with staff through the Chief Executive's weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Introduction of new employee network groups to strengthen the voices of employees and provide a safe environment for colleagues who share identities, life experiences or cultures to raise awareness, challenge discrimination and initiate positive change in the workplace.
- Additional officer training in respect of the Regulation of Investigatory Powers Act (RIPA) 2000.

- Political Group Consultations to inform decisions with financial or community significance; to provide a political viewpoint for officers to capture in key decision reports and ensure transparent political choices for the electorate.
- The council's four-year Workforce Strategy 2024-28 was approved following engagement with staff and consultation with the Corporate Leadership Team, Leadership Group, UNISON and Scrutiny Management Board. Refreshed values and behaviours sit at the core of the strategy to reflect the culture of the council.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: garden waste collection survey, Council Plan 2024-28 consultation, 2024/25 Budget proposals, Herefordshire Local Plan and the Local Transport Plan.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved co-ordination of the council's internal and external inspection and regulatory framework, with a centralised record of all priority recommendations to enable proactive monitoring of implementation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.
- The appointment of an independent Member to the Audit & Governance Committee to provide specialist knowledge and insight and complement the skills and experience of existing Members.

**Core Principle C:** Defining outcomes in terms of sustainable economic, social, and environmental benefits

## **Key aspects of the council's governance arrangements during 2023/24:**

- Performance against 2023/24 Delivery Plan actions has been reported quarterly to Cabinet. Reporting identifies the lead officer and outlines progress made in the quarter against the performance measures relevant to each action and indicates the risk of delivery.
- Development of the Herefordshire Council Plan 2024-28 to provide the strategic framework for the council; outlining the vision, priorities and objectives for the next four years and inform the use of the council's resources.
- Progress towards the four corporate priorities identified in the plan will be monitored by the Delivery Plan and supporting strategic documents including the Big Economic Plan, The Local Plan, Integrated Waste Strategy, Health and Wellbeing Strategy, Children's Improvement Plan, Medium Term Financial Strategy, Capital Strategy, Carbon Management Plan, Hereford City Masterplan. The corporate priorities for 2024-28 are:

**People:** We will enable residents to realise their potential, to be healthy and to be part of great communities who support each other. We want all children to have the best start in life.

**Place:** We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place, we will support access to green spaces and we will do everything we can to recover the health of our rivers

**Growth:** We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure.

**Transformation:** We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

- The council's Carbon Management Plan 2020/21 to 2025/26 and supporting action plan aims to deliver a 75% reduction in carbon emissions by 2025/26; an interim target on a path to carbon neutral by 2030/31.
- The Herefordshire Climate and Nature Partnership continues to drive the county's goal to become carbon net zero and nature rich

by 2030 through community engagement and the Greener Footprints campaign.

- The Herefordshire Economy and Place Board supported implementation of the Big Economic Plan during 2023/24 to deliver a collective vision for the county through collaboration and partnership working.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2024/25 will support transparent and timely reporting aligned to the council's revised corporate priorities and key objectives.
- Development of annual Service Plans to outline service area priorities and key areas of focus to achieve the Council Plan objectives.
- Consideration of environmental, social and economic arrangements as part of the council's wider deliverables, governance and decision making processes.

**Core Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

## **Key aspects of the council's governance arrangements during 2023/24:**

- The council has robust processes in place to support financial planning and sustainability. The budget is informed by the Medium Term Financial Strategy (MTFS) with key risks and assumptions clearly identified and reported to Members. The budget setting process identifies financial pressures and savings proposals and these are subject to challenge and scrutiny by relevant stakeholders.

- Quarterly reporting to Cabinet during 2023/24 highlighted a forecast overspend against the approved budget from Quarter 1. This prompted the implementation of additional expenditure controls and management recovery actions with a resulting positive impact on the final outturn position for the financial year.
- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2023/24.
- Responsibility for the delivery of the council's strategic objectives lies with individual Directorates and this is monitored through individual Directorate Plans, Service Business Plans and Individual Personal Development Plans to ensure the alignment of individual activity to corporate ambitions.

Areas where it is recognised that governance arrangements could be further strengthened include:

- In addition to improvements in performance monitoring arrangements, the council has identified areas for improvement in its approach to risk management to strengthen oversight of strategic risks and support the identification of robust mitigating actions.
- Work to deliver the council's programme of THRIVE transformation activity has continued during 2023/24 with engagement through regular briefings to staff and the council's Leadership Group. Work to develop a new council operating model will be finalised in 2024/25.

A key area for improvement for the council is the continued transformation of children's social care services to address areas identified for improvement following an Ofsted review of the service in July 2022.

In September 2022, the council's Children's Services were rated inadequate and a statutory direction was issued by the Secretary of State and a Commissioner for Children's Services was appointed. The council has responded positively to the findings of these reviews with enhanced governance and oversight arrangements and significant financial

investment. Further planned actions to improve are noted below under Significant Governance Issues.

**Core Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it

### **Key aspects of the council's governance arrangements during 2023/24:**

- To deliver the council's objectives in 2023/24, activity has been underpinned by the PEOPLE values; a set of principles to shape our culture, guide activity and aid decision making:

**People:** treating people fairly, with compassion, respect and dignity.

**Excellence:** striving for excellence, and the appropriate quality of services, care and life in Herefordshire.

**Openness:** being open, transparent and accountable.

**Partnership:** working in partnership and with all our diverse communities.

**Listening:** actively listening to, understanding and taking into account people's views and needs.

**Environment:** protecting and promoting our outstanding natural environment and heritage for the benefit of all.

- The Workforce Strategy 2024-28, developed during the year, commits to nurturing a culture of excellence, empowerment and growth with the THRIVE core values as the guiding principles to shape the culture and behaviours within the council: **TRUST, HONESTY, RESPONSIBILITY, INCLUSIVITY, VALUE** and **EMPATHY**.
- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. A Coaching Culture development programme was launched in 2023 to support managers in developing coaching skills using three key tools: Mindset, Lessons and Assessments; available to all leaders across the council.



- Review of the council's recruitment and retention strategies has continued during 2023/24 including regular pay benchmarking, adjustments to ensure a competitive employment offer and improved controls in the use of agency staff.
- The Head of Paid Service and political leadership of the council continue to review organisational capacity and capability.
- The council's performance and development planning process: My Conversation, covers employee health and wellbeing, a review of performance, individual outcomes and personal development and this process promotes discussion and sharing of feedback and recognition.
- The council benefits from leadership, training and development opportunities offered by the Local Government Association to enhance council leadership, skills and capacity and support officers and Members to deliver effectively in their roles.

Areas where it is recognised that governance arrangements could be further strengthened include:

- Continued development of leadership skills across the organisation to empower leaders at all levels with the skills to inspire, guide others and drive the council forward.
- Promotion of accountability and responsibility for delivery of budget and performance objectives by front line managers through additional training and development of regular information and enhanced reporting tools.

**Core Principle F:** Managing risks and performance through robust internal control and strong public financial management

**Key aspects of the council's governance arrangements during 2023/24:**

- The council's performance management framework sets out the approach to business planning, monitoring performance and risk management and this structure enables the alignment of resources,

people and finance to the ambitions outlined in the County Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and service delivery targets.

- Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The council's Risk Management Plan details the methodology for evaluating corporate risk management arrangements and its delivery is monitored by Audit and Governance Committee.
- The council operates 3 levels of risk registers; Corporate, Directorate and Service. The highest risks are included in the Corporate Risk Register, with lower level operational risks recorded in Service Risk Registers. Alongside these, project risks are identified in Project and Programme Risk Registers.
- The council's Counter Fraud and Corruption Strategy promotes a culture in which fraud, bribery and corruption are not tolerated and supports the prevention and detection of fraud across the organisation. Work to raise awareness internally and externally has been carried out in 2023/24: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud.
- The council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.
- The Financial Procedures Rules (FPRs) control the way the council manages its finances and safeguards its assets. They form part of the Constitution and outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making.

- Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to influence the final outturn position. A budget monitoring report is prepared for Directorate and Corporate Leadership Teams on a monthly basis. These reports are also presented at Cabinet Briefings in addition to the quarterly monitoring reported to Cabinet.
- Transformation Boards have been introduced during 2023/24 to manage the implementation of Directorate Transformation Strategies.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- A review of the council's risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
- Self-assessment against the CIPFA Financial Management Code to identify actions for improvement to support financial sustainability through effective financial management.

**Core Principle G:** Implementing good practices in transparency, reporting and audit to deliver effective accountability

### **Key aspects of the council's governance arrangements during 2023/24:**

- Information is published on the council's website to provide details of the working of the organisation, what we spend, and how our decisions are made. All council decisions are published, along with agendas and minutes for Committees.
- Cabinet or Cabinet Member decisions are in place for all related activity, with appropriate delegations identified.

- Cabinet members are briefed at monthly portfolio briefing meetings, and regular cabinet meetings.
- The council's Monitoring Officer has a specific duty to ensure the council, its Officers and Members maintain the highest standards in their values and behaviours.
- Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.
- The council is registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. There is a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.
- Additional dedicated scrutiny training has been provided for Members and officers by the Centre for Governance and Scrutiny.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved monitoring of recommendations arising from the council's internal and external audit framework to ensure timely delivery of management actions.
- Integration of equality impact assessments at the initial stages of developing new strategic, policies, functions or services to understand the potential impacts on individuals, and groups, in our communities and ensure effective consideration of equality, diversity and cohesion in all key decision making.

## Significant Governance Issues

Actions taken to address significant governance challenges during 2023/24 are noted below.

- **Improvements in Children’s Services:** During 2023/24, the council has continued to work hard to deliver the improvements required in Children’s Services. In July 2023, the council began its long-term improvement partnership with Leeds Relations Practice Centre (LRPC) who provide knowledge, skills, expertise and valuable experience to accelerate the council’s onward improvement journey. Delivery against the Children’s Services Improvement Plan has been monitored through the Children’s Improvement Board, chaired by an independent Improvement Advisor, with progress reported to Cabinet. Arrangements to strengthen the monitoring of progress against priority areas have been implemented during the year. Findings and feedback from Ofsted monitoring visits during the year have been published by the council and Member briefings have taken place to improve awareness and understanding of key challenges and review latest performance. The Children’s Commissioner has continued to provide expert insight and guidance throughout the year, undertaking formal six-monthly reviews to present recommendations for improvement, and the service has benefitted from the advice and support of the Department for Education Improvement Advisor.
- **Financial Management and Resilience:** Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to have a positive impact on the final outturn position. Directorate control panels have been established to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure.

The review of governance arrangements during 2023/24 has identified the following areas which will be a key focus for the council’s leadership in 2024/25:

- **Continued improvement in Children’s Services:** As the council’s number one priority, we will continue to make improvements to the services that we provide to children and their families. We will continue to work closely with our improvement partners and expert advisors to accelerate the pace of improvement and secure a better service.
- **Financial Sustainability:** The council’s financial position continues to be challenging. The council has set a balanced budget for 2024/25 and we will continue to monitor the outturn position and achievement of savings targets throughout the year. Directorate expenditure controls will continue, as part of financial management arrangements, in 2024/25 to ensure delivery of services within the approved budget.
- **Dedicated Schools Grant:** At 31 March 2024, the council’s Dedicated Schools Grant (DSG) cumulative deficit is £6.0 million and this is expected to increase further during 2024/25. The DSG deficit is accounted for as an unusable reserve on the council’s Balance Sheet, as permitted via statutory instrument which will remain in place up to March 2026; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council’s Earmarked Reserves. The council is committed to identifying actions to mitigate the DSG deficit, through the Deficit Management Plan, to reduce the potential impact on the council’s overall financial position.

The key governance challenges facing the council in 2024/25 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

## Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2022/23, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditors work on the council's arrangements to secure value for money in 2022/23 did not identify any significant weaknesses in respect of the themes of financial sustainability and governance. The auditors reported a significant weakness, first identified in 2021/22, which remains in respect of improvement in children's services under the theme of improving economy, efficiency and effectiveness in the use of resources.

Internal audit services are provided South West Audit Partnership (SWAP) and these services are managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). SWAP is responsible for reviewing the adequacy of internal controls across all areas of the council's services, providing risk-based and objective assurance, advice and insight.

The annual Internal Audit plan and Internal Audit Charter are presented to and approved by the Audit and Governance Committee. The plan includes a range of activity designed to provide appropriate coverage of key business objectives, associated risks and the risk management process and the council's corporate governance arrangements.

Further assurance is provided by reviews undertaken by external agencies including OFSTED, the Care Quality Commission, the Office of the Information Commissioner and other Local Authority Inspectorates.

For the year ended 31 March 2024, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the council's governance, risk management and internal control environment.

## Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective for the period from 1 April 2023 to 31 March 2024. We will use the areas for improvement identified through this review of effectiveness to ensure that these governance arrangements, alongside identified areas for improvement, continue to provide effective foundations for the council to achieve its objectives.

**Paul Walker**  
**Chief Executive**  
**Date: XX/XX/2024**

**Jonathan Lester**  
**Leader of the Council**  
**Date: XX/XX/2024**

## **Independent auditor's report to the members of Herefordshire Council**

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

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Term	Definition
Accounting policies	Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accrual	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid.
Assets	A resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.
Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds. This includes finance charges in respect of finance leases.
Capital adjustment account	<p>The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.</p> <p>The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.</p> <p>The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.</p>
Carrying amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
CIES	Comprehensive income and expenditure statement.
Contingent liability	<p>A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the council, or</p> <p>A present obligation that arises from past events but is not recognised because</p> <ol style="list-style-type: none"> <li>a) it is not probable that an outflow of resources embodying economic benefits or</li> <li>b) services potential will be required to settle the obligation, or</li> <li>c) the amount of the obligation cannot be measured with sufficient reliability.</li> </ol>

Term	Definition
Creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
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 compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.
Debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
Depreciation	The systematic allocation of the depreciable amount of the asset over its useful life.
Exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished, and gives approximately equal value (cash, goods, services, or use of assets) to another entity in exchange.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.
Financial instruments adjustment account	The financial instruments adjustment account records the timing differences between the rate at which gains and losses are recognised for accounting purposes and the rate at which debits and credits are required to be made against council tax.
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Grants and contributions	Transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.
Historical cost	The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for any subsequent depreciation or impairment.
HR and OD	Human Resources and Organisational Development.
IFRIC	International Financial Reporting Interpretations Committee (IFRIC) prescribes accounting treatment within the IFRS standards.
IFRS	International Financial Reporting Standards (IFRS) provide understandable, enforceable and globally accepted accounting standards.
Impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.

Term	Definition
Intangible asset	An identifiable asset without physical substance e.g. computer software.
Inventories	These are assets; <ul style="list-style-type: none"> <li>a) In the form of materials or supplies to be consumed in the production process</li> <li>b) In the form of materials or supplies to be consumed or distributed in the rendering of services</li> <li>c) Held for sale or distribution in the ordinary course of operations, or</li> <li>d) In the process of production for sale or distribution</li> </ul>
Investment property	Property held solely to earn rentals or for capital appreciation or both.
Liabilities	Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
Material	Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.
Minimum revenue provision (MRP)	A provision made for the repayment of notional borrowing used to finance capital expenditure.
Non-exchange transactions	Transactions in which an entity either receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Operating lease	A lease other than a finance lease.
Private finance initiative (PFI)	A long term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standard of performance.
Property, plant and equipment (PPE)	Tangible assets held for use in the supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year.
Provision	A liability of uncertain timing or amount.
Related party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Term	Definition
Revaluation reserve	<p>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:</p> <ul style="list-style-type: none"> <li>a) revalued downwards or impaired and the gains are lost</li> <li>b) used in the provision of services and the gains are consumed through depreciation, or</li> <li>c) disposed of and the gains are realised.</li> </ul> <p>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 capital adjustment account.</p>
Revenue	<p>The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.</p>
Short term absences account	<p>The short term absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.</p>