

Agenda

Audit and governance committee

Date: **Wednesday 24 November 2021**

Time: **10.15 am**

Place: **The Conference Room, Herefordshire Council Offices,
Plough Lane, Hereford, HR4 0LE**

Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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Agenda for the meeting of the Audit and governance committee

Membership

Chairperson **Councillor Nigel Shaw**
Vice-chairperson **Councillor Christy Bolderson**

Councillor Jenny Bartlett
Councillor Dave Boulter
Councillor Peter Jinman
Councillor Bob Matthews
Councillor Yolande Watson

Agenda

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive details any details of members nominated to attend the meeting in place of a member of the committee.	
3. DECLARATIONS OF INTEREST To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on 27 October 2021. The action log for the committee is also attached.	11 - 18
HOW TO SUBMIT QUESTIONS The deadline for receipt of questions is 5.00 pm on Thursday 18 November 2021 (three clear working days before the day of the meeting). Questions must be submitted to councillorservices@herefordshire.gov.uk . Questions sent to any other address may not be accepted. Accepted questions and the responses will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at www.herefordshire.gov.uk/council/get-involved/3	
5. QUESTIONS FROM MEMBERS OF THE PUBLIC To receive questions from members of the public.	
6. QUESTIONS FROM COUNCILLORS To receive any questions from councillors.	
7. RETENDER OF EXTERNAL AUDIT CONTRACTS For the committee to consider the options available to them in relation to the retender of the external audit contract and to recommend to Council their preferred option.	19 - 26
8. 2020/21 EXTERNAL AUDIT FINDINGS REPORT To consider the external auditors audit findings report for the year ended 31 March 2021.	27 - 64

9.	2020/21 STATEMENT OF ACCOUNTS	65 - 190
	To approve the 2020/21 statement of accounts and associated letter of representation to Grant Thornton, the external auditors.	
10.	UPDATE ON INTERNAL AUDIT RECOMMENDATIONS	191 - 230
	To review the progress of audit recommendations implementation.	
11.	CORPORATE RISK REGISTER	231 - 258
	To consider the status of the council's corporate risk register in order to monitor the effectiveness of risk management within the performance management framework.	
12.	ANNUAL REVIEW OF THE COUNCIL'S INFORMATION ACCESS AND INFORMATION GOVERNANCE REQUIREMENTS	259 - 268
	To inform the committee of performance in the areas of complaints, data incidents and requests for information made to the council over the municipal year 2020/21.	
13.	WHISTLEBLOWING POLICY REVIEW	269 - 274
	To review the council's whistleblowing policy.	
14.	WORK PROGRAMME UPDATE	275 - 278
	To provide an update on the work programme for the committee.	
15.	DATE OF NEXT MEETING	
	The next scheduled meeting is 25 January 2022.	

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- Attend all council, cabinet, committee and sub-committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the council, cabinet, committees and sub-committees.
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
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Please also note that other attendees are permitted to film, photograph and record our public meetings provided that it does not disrupt the business of the meeting.

If you do not wish to be filmed or photographed, please identify yourself so that anyone who intends to record the meeting can be made aware.

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The chairman or an attendee at the meeting must take the signing in sheet so it can be checked when everyone is at the assembly point.

Guide to Audit and Governance Committee

The Audit and Governance Committee is a non executive committee of the council. The committee consists of 7 non executive councillors and may include an independent person who is not a councillor.

Councillor Nigel Shaw (Chairman)	Conservative
Councillor Christy Bolderson (Vice Chairman)	Conservative
Councillor Dave Boulter	It's Our County
Councillor Peter Jinman	Herefordshire Independents
Councillor Bob Matthews	True Independents
Councillor Diana Toynbee	Green
Councillor Yolande Watson	Herefordshire Independents

The purpose of the audit and governance committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The committee do this by:

- (a) ensuring the effective and fully compliant governance of the council and in particular to ensure that all aspects of the financial affairs of the council are properly and efficiently conducted;
- (b) reviewing and approve the council's annual governance statement, annual statements of account, the contract procedure rules and financial procedure rules;
- (c) scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework;
- (d) monitor the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review; and.
- (e) reviewing the constitution and recommending any necessary amendments to Council as appropriate.
- (f) reviewing the corporate risk register

**The Seven Principles of Public Life
(Nolan Principles)**

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.



Minutes of the meeting of the Audit and Governance Committee held at Herefordshire Council Offices, Plough Lane, Hereford HR4 0LE on Wednesday 27 October at 10.15 am.

Present: Committee Members:

Councillor Nigel Shaw (Chairperson)
Councillor Christy Bolderson (Vice-chairperson),

Councillor Jennifer Bartlett
Councillor Dave Boulter
Councillor Peter Jinman
Councillor Yolande Watson*
Councillor Sebastian Bowen.

Officers:

Andrew Lovegrove (Acting Deputy Chief Executive, Chief Finance and Section 151 Officer), Kate Charlton (Interim Head of Legal and Deputy Monitoring Officer), John Coleman (Democratic Services Manager) and Jenny Preece (Democratic Services Officer – technical support)

In Attendance:

Jacqui Gooding* – Assistant Director, South West Audit Partnership

*denotes remote attendance

36. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Matthews.

37. NAMED SUBSTITUTES (IF ANY)

Councillor Bowen attended the meeting as a substitute member for Councillor Matthews.

38. DECLARATIONS OF INTEREST

No declarations of interest were made.

39. MINUTES

The minutes of the meeting held on 27 September 2021 and the accompanying action log were received by the Committee.

RESOLVED:

1. That the minutes of the meeting held on 27 September 2021 be approved as a correct record and be signed by the chairperson.
2. That the Action Log be further updated for the November meeting as there were still a number of outstanding items.

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The published agenda incorrectly assigned questions from members of the public and questions from Councillors as items 7 and 8. These items should have been assigned as items 5 and 6 so the Chairperson used his discretion to bring these forward to their correct position in the agenda.

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40. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

41. QUESTIONS FROM COUNCILLORS

No questions had been received from Councillors.

42. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Jacqui Gooding, Auditor with the South West Audit Partnership (SWAP), introduced the report the purpose of which was to update the Audit and Governance Committee on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. The report would also enable the Committee to monitor performance of the Internal Audit team against the approved plan.

During discussion the following principal points were made:

- Grant determinations had pushed back a number of scheduled internal audits as each time a funding figure was provided a separate sign-off was required.
- It was unlikely that all internal work that was planned would be completed, but as part of a rolling plan, some of this would be pushed into Q1.
- There was an ongoing conversation with the Council's S151 Officer about securing additional resource to deliver some of the planned work.
- The S151 Officer was comfortable that the work was being completed in line with Government's requirements. The only concerns he would have were if the deferred audits were delayed past Q4.
- The Auditor would be closely monitoring capital projects and capital expenditure as these were areas where new processes had been put in place and she would need to check that these were being embedded.
- On-going grant work needed to be checked and signed off to confirm that funds were being used as approved.

- Some grants were repeat grants that were signed off each year but others were new tranches of funding that had come through because of the Covid pandemic and all of these needed a separate grant determination.
- The distinction was made between grants that were actively applied for and those that were allocated by Government and which had specific criteria on how they were spent and the time constraints in which to do so.
- Although it was difficult to accurately assess, the S151 Officer felt that Herefordshire Council received sufficient remuneration for the additional costs of administering the extra grants, but had certainly not profited from it.
- The Auditor confirmed that as part of every audit the efficiency of processes was reviewed but was balanced against the control framework and managing risk, including fraud risk.
- Any suggestions on how processes could be improved were included in the internal audit reports.
- Councillors asked the auditors to consider how recommendations to improve processes could be better captured and monitored.
- The audit of Children's Services had been delayed at the request of the service who were reviewing their processes and wanted Internal Audit to act as a critical friend. A similar review had been done for Adult Services.
- Any deferrals were made in conjunction with the S151 Officer (the client officer for any work carried out) and service directors.
- The Auditor was asked to look at the scope of each piece of work and how that information could best be included in the Plan.
- The Committee noted the steps that had been taken by the Council to counteract fraud, particularly in relation to the distribution of Covid business grant support funding.
- The S151 Officer was satisfied with the recommendations made as a result of the Building Maintenance and Cleaning Arrangements Internal Audit and would ensure actions were carried out as this area came under his specific remit.

RESOLVED:

1. That the S151 Officer considers the concerns of the Audit and Governance Committee in relation to the efficiency and governance of capital purchases and, in conjunction with the Deputy Monitoring Officer, reports back to the Committee on current practice and makes recommendations on any improvements that should be made.

ACTIONS:

1. The new Transformation Director be invited to meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working.
2. South West Audit Partnership to provide the Committee with a detailed summary of recommendations made that deal with efficiencies.
3. A high level scoping summary to be provided with internal audit reporting, either as a one page summary or annotated within the reporting table.
4. The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.

43. AUDIT AND GOVERNANCE - COMMITTEE EFFECTIVENESS AND PERFORMANCE, SKILLS MATRIX

John Coleman, Democratic Services Manager, introduced the report the purpose of which was for the Committee to consider and agree the audit and governance skills matrix and to seek all committee members' participation in the skills matrix audit.

During discussion the following principal points were made:

- Members thanked the Vice-Chairperson of the Committee, Cllr Bolderson, for the work she had done on the audit and governance skills matrix.
- The matrix review had highlighted that all committees of the Council could benefit from their Members having a breadth of knowledge.
- The question was posed whether all committees should be based on this breadth of experience rather than being down to political group proportionality.
- Group leaders could refer to the matrix when considering their committee nominations.
- The matrix would be very useful for new Committee members and would be incorporated into the work programme for the new municipal year by highlighting any additional training sessions needed.

The Committee **RECOMMENDED** that:

1. The Audit and Governance Skills Matrix as set out in Appendix A be agreed and that Committee Members commit to undertake and complete the matrix exercise.
2. Members participate in the further timely development of the matrix to help identify any new training requirements or whether co-option of those with specialist skills is required.
3. Group Leaders to be invited to consider the skills matrix as a framework for gathering information on their political group membership.
4. Consideration be given to producing an Audit and Governance handbook for current and future members of the Committee

ACTIONS:

1. A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.

44. WORK PROGRAMME UPDATE

During discussion of the work programme the following points were noted:

- A progress report from the External Auditors and the Standards report would be on the agenda for the next meeting on 24 November.
- An additional special meeting had been convened for 26 November to consider the Rethinking Governance project work.
- The Committee's Terms of Reference would be updated as part of the Rethinking Governance work.

The Committee **RESOLVED** that the work programme be agreed.

45. DATE OF NEXT MEETING

24 November 2021, 10.15am

The meeting ended at 12.18pm

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO THE 'REPORTED COMPLETE' ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE MEETING				RED TEXT INDICATES UPDATES MADE SINCE THE LAST MEETING BLUE TEXT INDICATES NEW ACTIONS ADDED FOLLOWING THE LAST MEETING			
Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
87	26 January 2021	Further work be undertaken to provide clarity when the council needed technical assistance in developing a tender and whether or not the organisation who had assisted could or could not bid on the work being tendered.	Head of corporate services	Corporate support centre	Work in progress	01 June 2021	
89	16 March 2021	That the wording for EP19 [planning applications validating and registering in time] and EP23 [planning applications at committee against officer recommendation] be reworded to appropriately reflect the risks.	Head of corporate performance	Corporate support centre	Escalated with E&P directorate This has been re-challenged, with a view to being updated by the end of July risk register.	04/05/2021 01 August 2021	
91	16 March 2021	Consider how corporate centre will look at the aggregation of similar risks in or across directorates.	Head of corporate performance	Corporate support centre	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This will be included as part of the refreshed Risk Management Plan, tested with AGC recently, due, as planned, for sign off in Autumn by Solicitor to the Council.	01 November 2021	
92	16 March 2021	Changes in the risk registers to be highlighted to aid the committee in identifying when changes have been made.	Head of corporate performance	Corporate support centre	A table to show changes to directorate risk registers was included within the May report to committee (as per original due date). The next report to committee (due September) will ensure that changes on the Corporate Risk Register (at appendix A) are clearly marked	04/05/2021 30 September 2021	
94	04 May 2021	The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.	Head of corporate performance and interim DMO	Corporate Support Centre	An updated process is currently being developed which will ensure regular review of internal audit actions, as part of directorate DLTs. This will escalate the importance and delivery of audit recommendations due to regular review by SMTs, and ensure staff recognise where they transfer between officers.	28/06/21 01 September 2021	
95	04 May 2021	The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.	SWAP internal audit services	Corporate support centre	To be discussed at committee meeting to be held on 28 June 2021. SWAP advises 'Internal Audit follow up the significant findings priority 1 and 2. Priority 3 are through self-assessment from officers. The Council provides a report every 6 months on progress against all actions which includes priority 3 actions'	28/06/21 30 September 2021	
97	04 May 2021	The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.	S151	Corporate support centre	Being considered To be explored further with the S151 officer and the Monitoring Officer	28/07/2021 30 September 2021	
99	04 May 2021	The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.	Head of corporate performance	Corporate support centre	Suggest that options could be considered at the Risk Management Plan review session on June 25th. Options considered as part of meeting (25/06), exploring the possibility of inviting directors for next risk management report at AGC.	25 June 2021	
100	04 May 2021	Whistleblowing report to be scheduled for committee meeting on 30 July	Solicitor to the Council	Corporate support centre	Scheduled for 30 July meeting; rescheduled to the November 2021 meeting	28/06/21 24 November 2021	Yes
102	28 June 2021	Information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members.	Assistant director for regulatory environment and waste	Economy and place	A report will be circulated to members detailing this.	30 September 2021	
103	28 June 2021	Information on the treatment of Section 106 monies for transport / highways be circulated to committee members.	Assistant director for regulatory environment and waste	Economy and place	Work is ongoing with the Programme Management Office to provide resource for the transport/highways service so that s.106 monies for the public realm can be more effectively processed.	31 December 2021	
105	28 June 2021	That it be made clear in future internal audit plan progress reports which specific audits the follow-ups relate to.	SWAP internal audit services	Corporate support centre	To be incorporated into the next internal audit progress report.	30 September 2021	
106	28 June 2021	That follow-up audits completion be captured in action tracking by the head of corporate performance.	Head of corporate performance	Corporate support centre	As per line 94, a refreshed process for consideration of Internal Audit recommendations is being pulled together. These recommendations should also be included within this process, and subsequently in to the November AGC meeting.	24 November 2021	
104 107	30 July 2021	The external auditor be asked to include appropriate glossaries in future reports for ease of understanding and to identify dates of publication clearly.	External Auditors		Update required	24 November 2021	
105 108	30 July 2021	Training be arranged for committee members on the changes to regulations, particularly in relation to the value for money audit;	Democratic Services Manager	Corporate support centre	Update required	24 November 2021	
106 109	30 July 2021	A briefing note on the management of council estate be provided to committee members	Democratic Services Manager	Corporate support centre	Update required	24 November 2021	
107 110	30 July 2021	Confirmation be provided about whether the council's counter fraud specialist had been involved in the fraud risk assessment;	External Auditors		Update to be provided	24 November 2021	
108 111	30 July 2021	Further clarification be provided on the 'local risk factors' identified in the 'Audit fees – detailed analysis' section;	External Auditors		Update required	24 November 2021	
109 112	30 July 2021	References to the 'audit and procurement committee' be amended.	External Auditors		Update required	24 November 2021	
110 113	27 September 2021	The Head of Corporate Performance to provide the Committee with a briefing paper on how risks such as EP-24 flood risk and EP-27 fuel poverty are being managed in rural areas.	Head of Corporate Performance	Corporate support centre	A briefing has been prepared and will be circulated to committee members shortly.	24 November 2021	Yes

Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
444 114	27 September 2021	The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register	Head of Corporate Performance	Corporate support centre	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions for MB.	24 November 2021	
443 116	27 September 2021	The Solicitor to the Council to recirculate the SWAP audit on the transparency and governance of strategic partnerships.	Solicitor to the Council	Corporate support centre	Currently in progress.	December, 2021	
444 117	27 September 2021	The Section 151 officer to inform the Committee of the percentage figure of employees with budget responsibilities who had completed the on-line awareness module regarding finance.	Section 151 Officer	Corporate support centre	A report will be circulated to members detailing this information.	30 November 2021	
445 118	27 September 2021	The s151 to write a briefing note for the Committee on sources of funding for the Council over the preceding few years.	Section 151 Officer	Corporate support centre	A report will be circulated to members detailing this information.	30 November 2021	
446 119	27 September 2021	The Chief Executive be invited to the next meeting of the Committee to discuss the risks that the Council is carrying	Democratic Services Manager	Corporate support centre	Invitation issued		
447 120	27 September 2021	Councillor Watson to circulate to the Committee the Rural Services Network paper on sources of funding for rural authorities.	Cllr Watson	Committee member	Awaiting - from Rural Services network - their slide deck and report in relation to this matter. Once received this will be forwarded on to the committee.	24 November 2021	
121	27 October 2021	The new Transformation Director be invited to meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working.	Democratic Services Manager	Corporate support centre	Noted - to be actioned.		
122	27 October 2021	South West Audit Partnership to provide the Committee with a detailed summary of recommendations made that deal with efficiencies.	Jacqui Gooding	SWAP	In progress	January 2022	
123	27 October 2021	A high level scoping summary to be provided with internal audit reporting, either as a one page summary or annotated within the reporting table.	Jacqui Gooding	SWAP	In progress	January 2022	
124	27 October 2021	The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.	Section 151 Officer	Corporate Support Centre	A report will be circulated to members detailing this information		
125	27 October 2021	A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.	Democratic Services Manager	Corporate support centre	Delayed until the new year		

Title of report: Retender of external audit contracts

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of corporate finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

For the committee to consider the options available to them in relation to the retender of the external audit contract and to recommend to Council their preferred option.

Recommendation(s)

That:

- a) **The committee recommends to Council their preferred method for re-procuring external audit services.**

Alternative options

1. The content of this report describes the options available to the council in re-procuring its external audit services. Full Council must approve the committee's recommended preference.

Key considerations

Background

2. Following the closure of the Audit Commission the Secretary of State specified Public Sector Audit Appointments Limited (PSAA) as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
3. The PSAA is a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association. PSAA is an active member of the Local Audit Liaison Committee and have established an advisory panel.
4. The process for retendering for external audit contracts in local authorities in England, for contracts due to start from 2023/24, is underway and this council must decide, before 11 March 2022, whether to procure its own external auditor or opt into the national procurement framework hosted by PSAA.
5. The length of the compulsory appointing period covers the audits of the five consecutive financial years commencing 1 April 2023, five years being the compulsory appointing period for the purposes of the regulations which govern the national scheme.
6. The Secretary of State has confirmed that the Public Sector Audit Appointments Limited (PSAA) will continue to be an appointing person for the purposes of the Regulations. Herefordshire Council has been invited to become an opted-in council in accordance with the Regulations.
7. Joining PSAA's national scheme for auditor appointments is one of the choices available, the alternative is to independently procure the audit service. This paper aims to explain the varying risks and opportunities of each procurement option.
8. The Local Government Association (LGA) is aware that many external audits have been delayed and dozens of audits remain uncompleted from 2019/20. Nevertheless, the LGA's view is that the national framework remains the best option for councils.
9. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.
10. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council.
11. The introduction of new standards and the emergence of some difficult audit issues such as the McCloud judgement (a legal case which affected the valuation of pension liabilities) and COVID-19 highlighted the lack of capacity in the supplier side of the market and led to considerable delays.

Public Sector Audit Appointments Limited (PSAA)

12. Acting in accordance with its role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018. Herefordshire Council opted into this arrangement.

13. If we continue to opt in PSAA will appoint an auditor for each of the five financial years beginning 1 April 2023. They will aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of PSAAs quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

Opting into the national arrangement

14. It is recognised that in a suppliers' market it is likely that councils acting together to have the best chance of influencing the market and for nationally coordinated efforts to improve the supply side of the market to be effective.
15. To expand the supply side of the market bids from challenger firms need to be encouraged. This is more likely to be successful if a large number of councils sign up to the national scheme.

Advantages

16. PSAA has the ability to negotiate contracts with external audit firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
17. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
18. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
19. Any conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon.
20. The PSAA will act in the collective interests of the 'opt-in' authorities.
21. A transparent and independent auditor appointment via a third party.
22. The best opportunity to secure the appointment of a qualified, registered auditor.
23. Access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees.
24. A value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members.
25. Collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements.
26. Avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities.
27. Updates from PSAA to Section 151 officers and audit committee chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships.

28. Joining concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

Disadvantages

29. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the stakeholder representative groups.
30. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in. Current fees are based on discounted rates offered by the firms in return for substantial market share.

Procure its own external auditor

31. The scope of the audit will be specified nationally, the National Audit Office is responsible for writing the Code of Audit Practice which all firms appointed to carry out the council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners.
32. In order to make a stand-alone appointment, the council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the council's external audit. A new independent auditor panel established by the council will be responsible for selecting the auditor.

Advantages

33. Setting up an auditor panel allows the council to take maximum advantage of the local appointment regime and have local input to the decision.

Disadvantages

34. The procurement process is an administrative burden on council staff already struggling for capacity. Contract management would be an ongoing burden.
35. There would be additional costs for the recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract plus on going expenses and allowances.
36. The council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
37. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Conclusion

38. The council needs to take action to implement new arrangements for the appointment of its external auditors. In order that more detailed proposals can be developed the committee is asked to give early consideration to the preferred approach.

Community impact

39. The council is committed to maintaining high standards of corporate governance in order to achieve the council's vision of "people, organisations and businesses working together to bring sustainable prosperity and well-being for all, in the outstanding natural environment of Herefordshire." A principle of the council's code of corporate governance is to implement good practices in transparency, reporting, and audit to deliver effective accountability.

Environmental impact

40. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
41. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

42. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
43. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

44. The cost of independently appointing an external auditor would need to be estimated and would need to include the cost of recruiting independent appointees (members), servicing an auditor panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.

45. Opting-in to the national PSAA arrangement would provide the maximum opportunity to limit the extent of any increases in fees by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.
46. The duty to prescribe scales of audit fees is a statutory function delegated to PSAA by the Secretary of State for Communities and Local Government. Before prescribing any scale of fees, PSAA have a statutory duty to consult councils. Following consultation, PSAA publish the work programme on their website each year with the scale fee for each audited body. The PSAA will consult on scale fees and will publish confirmed scale fees for opted-in bodies on their website.
47. The scale fees for individual audited bodies are normally based on the scale fee for the previous year, reflecting the auditor's assessment of audit risk and complexity. PSAA can approve proposed variations to the scale fee for an individual audited body, to reflect changes in circumstances. Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
48. PSAA will charge fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Legal implications

49. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Schedule 3 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements. This means this is a decision for Full Council as the decision has not been delegated in the constitution.
50. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
51. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
52. Local Audit (Appointing Person) Regulations 2015 specifies the PSAA as an appointed person. By opting into this arrangement the council will confer to the PSAA the appointment of the auditors and before doing so the PSAA must consult with the council about the proposals.

Risk management

53. There is no immediate risk to the council, however, early consideration by the council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
54. By accepting the PSAA invitation the procurement and auditor requirement risks are minimised, PSAA are committed to ensuring that the quality of the audit work provided is of the highest standards. To promote transparency and encourage best practice, they provide a number of reports on their website.

Consultees

55. None

Appendices

None

Background papers

None identified.



Title of report: 2020/21 external audit findings report

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of corporate finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To consider the external auditors audit finding report for the year ended 31 March 2021.

This is one of a number of reports which the committee receives in order that it may provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes

Recommendation(s)

That:

- a) **the report of the external auditor attached at appendix A be considered; and**
- b) **the committee determine whether any issues raised in the report require inclusion in the committee's future workplan.**

Alternative options

1. There are no alternative options to receiving the report

2. It is open to the committee to determine its future work programme to enable it to provide assurance on the adequacy of the council's risk management, financial reporting and annual governance processes. It is also open to the committee to comment on the scope and depth of external audit work and to ensure it gives value for money.

Key considerations

3. The external audit findings report is attached at Appendix A and details the work and findings completed in relation to the council's financial statements of accounts for the year ended 31 March 2021.
4. The external auditor provides an independent opinion as to whether the group, being Herefordshire Council and Hoople Limited, financial statements give a true and fair view of the group and council's financial position and of the group and council's expenditure and income for the year, and have been properly prepared.
5. In addition the external auditor is required to determine if the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the councils overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. This is called the Auditors Annual Report. Grant Thornton expect to issue this by 28 February 2022 which is in line with the National Audit Offices revised deadline of no more than three months after the date of the opinion on the financial statements.
6. Grant Thornton are expected to issue an unqualified opinion on the statement of accounts and there are currently no issues to bring to the attention of the committee. The use of key judgements and estimates in the accounts have been assessed as appropriate, neither optimistic nor cautious.

Community impact

7. In accordance with the code of corporate governance to support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

Environmental impact

8. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
9. Whilst this is a report for information and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a report for information, we do not believe that it will have an impact on our equality duty.

Resource implications

12. The external audit fee detail is provided on page 30 of the appendix. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit contract.

Legal implications

13. There are no legal implications arising from this report.

Risk management

14. The council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. The external audit is not designed to test all internal controls or identify all areas of control weakness, however, if external audit identify any control weaknesses, these are reported. The external audit work continues in this area, the audit findings report attached at appendix A details the conclusions on work completed.

Consultees

15. None

Appendices

Appendix A The Audit Findings for Herefordshire Council report - 2020/21

Background papers

None identified

The Audit Findings for Herefordshire Council

Year ended 31 March 2021

24 November 2021

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

JD Roberts

Name : Jon Roberts

For Grant Thornton UK LLP

Date : 24 November 2021

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Herefordshire Council Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June-November. Our findings are summarised on pages 5 to 19. We have identified one adjustment to the financial statements that has resulted in a £0.06m adjustment to the Council's Comprehensive Income and Expenditure Statement. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Audit adjustments are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- Review of Annual Governance Statement;
- Property, Plant and Equipment – resolution of queries;
- Debtors – testing of long-term debtors;
- Pension liability – resolution of queries;
- PFI liability – resolution of queries;
- Fees and charges – final review of investment income;
- Employee benefit testing – queries outstanding with payroll team;
- Financial Instruments – review of disclosures;
- Minimum Revenue Provision and Capital Financing Requirement;
- Hoople final signed accounts and Audit Findings Report;
- Final quality review procedures;
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph highlighting a material uncertainty in respect of Retail and specific trading related assets / sectors such as Car Parks.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by 28 February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Financial Sustainability, Governance and Improving economy, efficiency and effectiveness. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2022 and after conclusion of our work on the Whole of Government Accounts.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Joint Audit Plan, as communicated to you in July 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 24 November 2021, as detailed in [Appendix E].

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The ongoing impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements including video calling, and increased procedures required to verify the completeness and accuracy of information provided remotely.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in July 2021. We detail in the table opposite our determination of materiality.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.1m	£7m	1.8% of gross revenue expenditure
Performance materiality	£5m	£4.9m	70% of materiality
Trivial matters	£0.35m	£0.35m	5% of total headline materiality



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We have also considered the impact of Covid-19 on the risks of and opportunities for management override of controls and we are satisfied that opportunities have not been increased, although we will ensure that our audit work considers the accounting for unusual transaction streams such as Covid-19 grants and any new estimates or judgements around these.

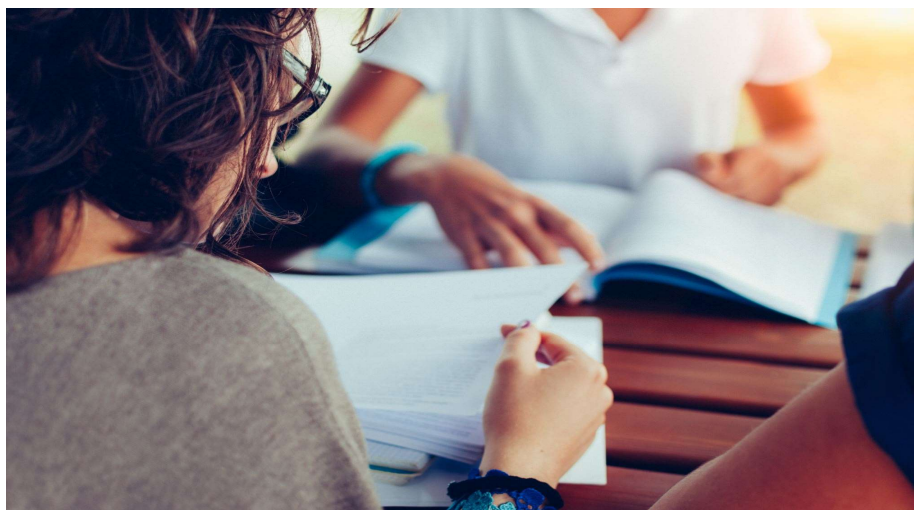
We therefore identified management override of control, in particular journals, consolidation adjustments, management estimates and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- considered the impact of IT audit findings on the journals posted, and extended our journal testing to include journals posted by non-finance team employees;
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.

Our sample testing has not identified any significant issues in respect of journals posted in year.

We include a recommendation in Appendix A relating to journal entries and follow up a prior year recommendation in Appendix B.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Presumed risk of fraud in revenue recognition ISA (UK) 240 In our Audit Plan we concluded that we did not consider this to be a significant risk for the Council.

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

We have not made any changes to this assessment during the audit and based on our findings.

Risk of fraud related to expenditure recognition

Public Audit Forum- Practice Note 10

Practice Note 10 states that as most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

Having considered the expenditure streams of Herefordshire Council, and on the same basis as that set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.

In our Audit Plan we concluded that we did not consider this to be a significant risk for the Council.

We have not made any changes to this assessment during the audit and based on our findings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings and investment properties

The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our work in this area is currently on-going and we will provide an update at the Audit and Governance Committee.

There have been no issues noted in our work to date that we need to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£282.3m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- obtained assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work in this area is on-going and we will provide a verbal update to the Audit and Governance Committee.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Land and Building valuations – £334.7m</p>	<p>Land and buildings comprises £261.5m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£73.2m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head & Eve LLP to complete the valuation of properties as at 31 March 2021 on a five yearly cyclical basis. 90% of total assets were revalued during 2020/21.</p> <p>The Council’s valuer has disclosed a material uncertainty in respect of Retail and specific trading related assets / sector such as Car Parks.</p> <p>The total year end valuation of land and buildings was £ 370.4m, a net increase of £31.2m from 2019/20 (£339.2m).</p>	<p>We have reviewed the detail of your assessment of the estimate, considering the revised requirements of ISA 540. Our work included:</p> <ul style="list-style-type: none"> an assessment of management’s expert, who we found to have relevant experience and professional qualifications; review of the completeness and accuracy of the underlying information used to determine the estimate, including the re-calculation of valuation figures using national indices to determine specific asset valuations that warrant further review; consideration of the appropriateness of any alternative site assumptions; assessing the impact of any changes to valuation method, which we considered to be immaterial; and an assessment of the adequacy of disclosure of estimate in the financial statements. <p>The financial statements include disclosure of material uncertainty relating to Retail and specific trading related assets / sectors such as Car Parks. We will highlight this disclosure within an “emphasis of matter” paragraph in our opinion. This is not a modification of qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Our work in this are is currently on-going.</p>	<p>Light Purple</p>

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £282.3m	<p>The Council's net pension liability at 31 March 2021 is £282.3m (PY £260m) comprising the Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £13m net actuarial gain during 2020/21.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> the actuary's experience, competence and professional qualifications; the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see table on the next page for consideration of the assumptions adopted); the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; the impact of any changes to valuation method – none were noted; the assurances provided by the auditor of Worcestershire Pension Fund over the process and controls in place at the Fund over the information provided to the actuary; the adequacy of disclosures of estimate in the financial statements; and the reasonableness of the Council's share of the pension assets. 	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £282.3m - continued

The Council's net pension liability at 31 March 2021 is £282.3m (PY £260m) comprising the Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £13m net actuarial gain during 2020/21.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.10%	2.10% to 2.20%	●
Pension increase rate	2.70%	2.70%	●
Salary growth	4.20%	2.50% to 4.20%	●
Life expectancy – Males currently aged 45 / 65	24.4 / 22.7	22.5-24.7 / 20.9-23.2	●
Life expectancy – Females currently aged 45 / 65	27.1 / 25.1	25.9-27.7 / 24.0-25.8	●

Our work in this area is currently on-going and we will provide a verbal update to the Audit and Governance Committee.

Light Purple

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Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Grants Income Recognition and Presentation</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>As part of our work we have considered:</p> <ul style="list-style-type: none"> • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES). • the adequacy of disclosure of judgements in the financial statements. 	<p>We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that its assessment and judgements were reasonable.</p>	<p>Light Purple</p>

44

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £9.6m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £9.6m, a net increase of £0.3m from 2019/20.</p>	<p>This area has received considerable audit focus across the sector this year. We have benchmarked the Council's current MRP, which indicates that the MRP is in line with other authorities. Our work is on-going in this area and we will provide a verbal update to the Audit Committee.</p>	Light Purple

Assessment

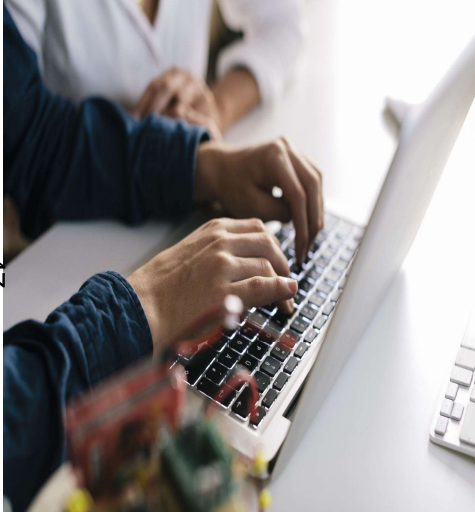
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for Bank and Investment confirmations. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting estimates and financial statement disclosures. Our review of the Council's accounting policies is on-going and a verbal update will be provided to the Audit and Governance Committee.
Audit evidence and explanations/ significant difficulties	The majority of information and explanations requested from management have been provided, noting that our work continues in certain areas.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters, although our review of the updated Annual Governance Statement is currently on-going.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. Note that work is not yet completed as we are awaiting the audit instructions from the NAO and management are yet to receive the centrally provided data collection tool. We understand that the WGA consolidation pack is not expected to be provided to audited bodies for completion prior to audit review until December 2021 at the earliest.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Herefordshire Council in the audit report, due to VFM work being ongoing and WGA consolidation procedures remaining outstanding as outlined above.</p>

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3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money. Where these risks are linked we will coordinate our response.

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Risk title: Financial Sustainability

Risk description: Whilst the Council has secured a sound financial base, recent events raise risks that the Council can not effectively plan and manage its resources to meet these financial pressures. More specifically, significant additional financial pressures have arisen as a result of :

- The Court judgement for Children's Services
- The write back of the by-pass costs

Risk response: We will therefore:

- Review the financial pressures identified by management when setting the 2020/21 budget and the planned mitigations
- Review the process for identifying the budget gaps in the medium term and the plans the Council has in place to address these shortfalls
- Explore the impact of the unforeseen financial pressures i.e. the costs of setting up the Improvement Board in Children's Services and the reversal of the by-pass decision
- Explore significant in year overspends such as Looked After Children's Services



Risk title: Governance

Risk description: there is a risk that Council has not made informed decisions and is not effectively managing its risks, as reflected in previous years VFM audits. In 2020/21 there were changes to the officer leadership team which will be finalised in 2021/22.

Risk response: We will therefore:

- Review how the Council responds to the independent review of its Public Realm contract
- Review the Council's response to the internal review of the HCCTP
- Understand the impact that the court judgement had had on the Children's Services Department and review the Council's actions taken to date
- Consider the impact of the changes in the management team in 2020/21 on the governance arrangements



Risk title: Improving economy, efficiency and effectiveness

Risk description: there is a risk that the Council is not using its cost and performance data to improve the way that it manages and delivers its services

Risk response: We will therefore:

- Review the Council's response to the internal review of the HCCTP
- Review how the Council is responding to the regulatory engagement regarding Children's Services

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	5,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,500 in comparison to the total fee for the audit of £156,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	13,698	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £13,698 in comparison to the total fee for the audit of £156,792 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	19,198		

Appendices

A. Action plan – Audit of Financial Statements

We have not yet identified any recommendations to date, but our audit is currently on-going. We will provide a verbal update to the Audit and Governance Committee.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issue in the audit of Herefordshire Council's 2019/20 financial statements, which resulted in one recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendation and note this is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Journals Authorisation</p> <p>We reported in the 2018/19 and 2019/20 Audit Findings Report that the journals process did not have appropriate authorisation. Management confirmed that this would be reconsidered.</p>	<p>Users with the ability to post journals have limits set within Business World which limit the size of journals that can be posted. In addition, Management have a monthly review process outside of the ledger to ensure that journals posted are appropriate.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £
Audit fees – an additional accrual is required to increase the fee to be in-line with the proposed fee in the Audit Plan	0.06m	-0.06m	0.06m

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Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
Officers Remuneration – Disclosure is required of the number of Officers receiving remuneration in excess of £50k, split into bandings. During the audit we noted that two Officers had been incorrectly inputted into the £140,000 - £145,000 banding as opposed to the correct banding of £130,000 to £135,000.	✓
During the audit we noted that the Related Parties note had a disclosure error as the Herefordshire Council's share of the West Mercia Energy had been disclosed as a negative value.	✓
Various other minor disclosure updates were made to the financial statements to improve readability or correct more trivial findings.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £	Reason for not adjusting
PPE revaluation – during the audit we noted that incorrect build costs had been used in the valuation of one asset by the valuer.	-	Dr Revaluation Reserve £0.096m Cr Land and Buildings £0.096m	-	Not material
Overall impact	-	-	-	

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements.



D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale fee	£95,792
Additional Fee Proposed	61,000
Total audit fees (excluding VAT)*	£156,792

* See next page for a breakdown. Note that PSAA distribution of £18,900 and MHCLG additional funds of £49,381 have recently been provided to support the Council in this area.

Non-audit fees for other services	Proposed fee
Audit Related Services	
Certification of the Housing Benefits Return	13,698
Certification of the Teachers Pension Return	5,500
Total non-audit fees (excluding VAT)	£19,198

Details of variations in final fees from the proposed fee per the audit plan

The fees do not reconcile to the financial statements. We have provided a reconciliation below.

- fees per financial statements £95,792 (with rounding £0.1m)
- Accrual for additional fee – see Appendix C £61,000 (with rounding £0.061)
- total fees per above £156,792 (with rounding £0.16m)

Audit fees – detailed analysis

Scale fee published by PSAA	£95,792*
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors - The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	£2,500*
Enhanced audit procedures for Property, Plant and Equipment	£3,000*
New standards - You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust.	£2,500*
Enhanced audit procedures for Pensions	£3,000*
Covid-19	£19,159
Additional value for money fee	£5,000
Audit fee 2019/20	£130,951
<i>2019/20 factors not carried forward</i>	(£24,159)
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£25,000*
Increased audit requirements of revised ISAs	£20,000*
Local risk factors	£5,000*
Total audit fees (excluding VAT) [sum of * items]	£156,792

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E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report

To follow

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F. Audit letter in respect of delayed VFM work

Councillor Shaw
Herefordshire Council
Plough Lane
Hereford
HR4 0LE

Dear Councillor Shaw

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 28 February 2022 .

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Jon Roberts
Partner





Title of report: 2020/21 statement of accounts

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of corporate finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To approve the 2020/21 statement of accounts and associated letter of representation to Grant Thornton, the external auditors.

Changes to the statement of accounts following the external audit are listed in the audit findings report. The letter of representation attached at appendix B confirms that the group and parent council financial statements are free of material misstatements, including omissions.

Recommendation(s)

That:

- a) **the 2020/21 statement of accounts (at appendix A) be approved; and**
- b) **the letter of representation (at appendix B) be signed by the chairman of the committee and the chief finance officer.**

Alternative options

1. It is an annual statutory requirement to approve the accounts and sign the letter of representation.

Further information on the subject of this report is available from
Josie Rushgrove, Tel: 01432 261867, email: jrushgrove@herefordshire.gov.ukl

Key considerations

2. The Local Audit and Accountability Act 2014 requires the council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the accounts to be approved by the audit and governance committee by 31 July. This deadline was extended via the Accounts and Audit (Amendment) Regulations 2021 to 30 September.
3. The statement of accounts (appendix A) have been drawn up in accordance with the Accounts and Audit Regulations 2015, and the Chartered Institute of Public Financial Accountancy (CIPFA) code of practice on local authority accounting in the United Kingdom (the code). The code consolidates the statutory requirements and accounting standards that the council is legally required to follow.
4. The most significant matters in the 2020/21 accounts and a summary of the council's financial position are set out in the introductory narrative report within the accounts. Key points include the following:
 - a. The UK went into lockdown on 23 March 2020 and further lockdowns in November 2020 and January 2021 followed. The recovery phase is now underway and council plans are continuing to evolve.
 - b. The council delivered a balanced outturn due to £9.9m of direct Covid-19 additional grant being provided by central government.
 - c. Adults & Communities Directorate delivered a net underspend of £2.0m due to certain areas of client expenditure reducing due to the impact of Covid-19.
 - d. The Childrens and Families Directorate overspend by £3.7m reflects the cost pressure in placements costs. During April 2021, the council received a court judgement identifying failings in relation to children in our care. Following this the Department for Education issued a non-statutory Improvement Notice to address serious concerns in respect of the council's children's services. An improvement board has been established and will ensure the improvement plan delivers improvements to children's services.
 - e. £0.8m overspend in Economy & Place Directorate reflects the reduction in income relating to Covid-19, this includes a significant loss in car parking income during the year.
 - f. The central, treasury management, capital financing and reserves underspend by £2.0m reflecting the delayed need to borrow from a combination of high cash balances and slippage in capital investment.

2020/21 statement of accounts

5. The financial statements are prepared in accordance with international financial reporting standards. These comprise: a narrative report, the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet, a cash flow statement and supporting explanatory notes. The S151 officer is satisfied that the statement of accounts presents a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Movement in reserves statement

6. The movement in reserves statement shows the movements in reserves during the year, analysed into the different funds held by the council and classified as either “usable” reserves, which can be used to fund future expenditure, or “unusable” reserves which are maintained to meet specific statutory responsibilities.

Usable reserves

7. Total usable reserves as at 31 March 2021 were £173.7m, an overall increase of £32.2m from 31 March 2020. A summary is provided in the table below. The main reason for the overall increase is due to £23.8m of Covid 19 funds being held in reserve as at the financial year end that are expected to be spent in 2021/22. Earmarked reserves are reviewed annually by Cabinet, the last review was on 30 September 2021.

	General Fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital Grants Unapplied Reserve £m	Total Usable Reserves £m
Balance as at 31 March 2021	9.1	105.6	44.6	14.4	173.7
Balance as at 31 March 2020	9.1	79.5	44.2	8.7	141.5
Overall increase / (decrease) in 2020/21	-	26.1	0.4	5.7	32.2

Unusable reserves

8. Unusable reserves are not available to be spent. They are maintained to meet specific statutory responsibilities and include the pension reserve, revaluation reserve and capital adjustment account.
9. The unusable reserves totalled £122.4m at 31 March 2021 compared to £134.4m at 31 March 2020. The main movement being an increase in the pension deficit following a £13.0m re-measurement of the net defined liability by the external actuary, Mercer Limited.

Comprehensive income and expenditure statement (CIES)

10. This statement shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure and Funding Analysis, note 2 to the accounts, compares the CIES with the outturn reported to Cabinet, showing the adjustments made between the management and statutory reports.

Balance Sheet

11. The balance sheet summarises the council’s assets, liabilities and reserve position at the end of the financial year. Net assets are matched by reserves which may be “usable” or “unusable”, see above.
12. At 31 March 2021 long term assets totalled £730.8m, compared to £705.1m at 31 March 2020. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital spend during the year.

13. Current assets totalled £119.3m at 31 March 2021, compared to £80.8m at 31 March 2020. The main increase representing an increase in short term investments held at the year-end, representing the receipt of Covid 19 funding carried forward into 2021/22.
14. Current liabilities totalled £85.3m at 31 March 2021, compared to £59.3m at 31 March 2020 with the increase mainly due to increased short term creditors which included £14.6m of funds held under agency terms for third parties.
15. Long term liabilities totalled £468.7m at 31 March 2021 compared to £450.7m at 31 March 2020. This is mainly due to an increase in the pension's liability as provided by the external actuary, Mercer Limited.

Impact of Covid-19 on asset valuations

16. The Covid-19 pandemic created a large uncertainty in financial markets and the market for other assets. The Royal Institute of Chartered Surveyors subsequently issued guidance identifying that all valuations will have a material valuation uncertainty as at 31 March 2020. As at 31 March 2021 this material valuation uncertainty was contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant / sufficient market evidence on which to base critical judgements. This does not mean that the valuation cannot be relied upon. Rather to ensure transparency of the fact that less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of COVID-19 on many sectors and the difficulty in differentiating between short term impacts and longer term structural market changes, valuations will be kept under frequent review.

Cash flow statement

17. The cashflow statement shows how the council generates and uses cash and cash equivalents, and explains the reasons for changes in cash balances during the year. During 2020/21 there was a net increase in cash and cash equivalents of £6.7m.

Group accounts

18. The group accounts consolidate the performance of the council with its subsidiary Hoople Limited in 2020/21. The impact of the consolidation increases the council's reserves position by £2.7m (£2.4m in 2019/20) which includes a minority interest reserve balance of £0.4m (£0.4m in 2019/20).

The collection fund

19. The collection fund demonstrates how income raised from local taxpayers has been re-distributed to the council and to other precepting authorities for the provision of services. Collection fund income from council taxpayers and business ratepayers totalled £156.9m in 2020/21 compared to £178.1m in 2019/20 with the decrease representing increased business rate reliefs related to Covid-19.
20. Expenditure includes precept payments to West Mercia Police (£15.7m), Hereford and Worcester Fire Authority (£6.5m) and parishes (£4.9m). These are paid from income collected from taxpayers on their behalf.

Annual Governance Statement

21. The approved 2020/21 annual governance statement will be added to the statement of accounts attached at appendix A.

Letter of representation

22. Attached at appendix B is the council's letter of representation confirming that, to the best of the council's knowledge and belief, the financial statements, at appendix A, give a true and fair view in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

Community impact

23. Publication of the statement of accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Environmental impact

24. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
25. Whilst this is a decision on approving the 2019/20 statement of accounts and associated letter of representation to the external auditor of those accounts so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit has been completed remotely for the first time, reducing travel impact and paper usage.

Equality duty

26. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
27. A public authority must, in the exercise of its functions, have due regard to the need to –
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

28. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a statement of factual information, we do not believe that it will have an impact on our equality duty.

Resource implications

29. Contained in the report.

Legal implications

30. Regulation 9 of the Accounts and Audit Regulations 2015 require the following:
31. The S151 officer must sign and date the statement of accounts, and confirm that he is satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year. This was completed on 30 July 2021.
32. The period of the exercise of public rights for the inspection of the accounts commenced on 2 August. The Accounts and Audit (Amendment) Regulations 2021 delay the deadline for relevant authorities to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of August in the financial year immediately following the financial year to which the accounts relate. These amendments apply only to the commencement of the relevant period for accounts relating to a financial year beginning in 2020 or 2021.
33. Following the conclusion of the period for inspection, the committee must approve the statement of accounts by a resolution and ensure that the statement of accounts is signed and dated by the person presiding at the committee. In order for the committee to do so the S151 officer has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view.
34. The Accounts and Audit (Amendment) Regulations 2021 for local authorities the publication date for audited accounts moved from 31 July 2021 to 30 September 2021.

Risk management

35. The external auditors have issued an unqualified opinion on the statement of accounts, see external audit findings report elsewhere on today's agenda.
36. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the chief financial officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources which Grant Thornton provide a value for money opinion, this report will follow at a later date.

Consultees

37. The statement of accounts were made available for public inspection between 2 August and 13 September 2021. No representations or objections were received.

Appendices

Appendix A Statement of accounts 2020/21

Appendix B Letter of representation for 2020/21

Background papers

None identified

Herefordshire Council Statement of Accounts 2020/21

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Further information about the council's finances is available from the Chief Finance Officer, Herefordshire Council, Plough Lane, Hereford, HR4 0LE.

Narrative Report 2020/21

Introduction

This narrative report provides information about Herefordshire including the key issues affecting the council and its accounts. It provides a summary of the council's performance during 2020/21 and of its financial position as at 31 March 2021 including its principal risks and uncertainties.

Herefordshire Council is a unitary council formed in 1998. The council's responsibilities are wide ranging and include education, adult social care, road maintenance and waste collection and disposal services.

There are 53 elected members, each representing a single ward. The council paid the following amounts to members of the council during the year:

Members Allowances	2020/21	2019/20
	£m	£m
Basic allowances	0.4	0.4
Special allowances	0.2	0.2
Total	0.6	0.6

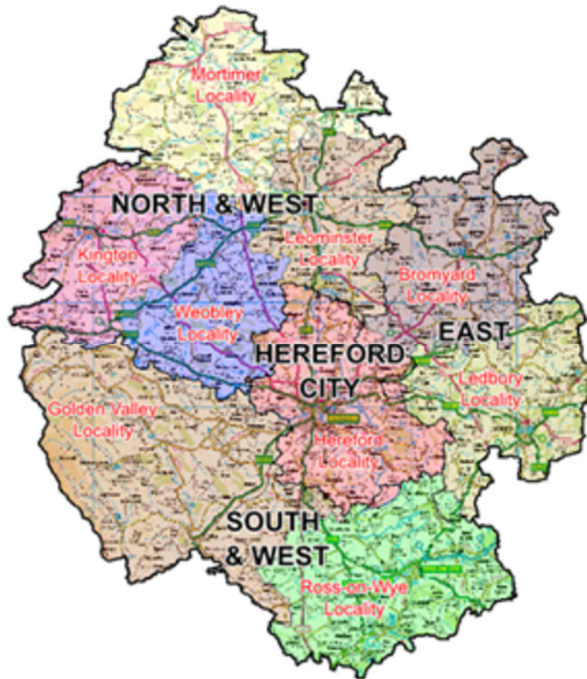
An Introduction to Herefordshire

Herefordshire lies just south of the West Midlands sandwiched between Worcestershire and the breath-taking Brecon Beacons of Wales to the west. The county has beautiful unspoilt countryside with remote valleys and rivers and a distinctive heritage. The county's rolling pastures, rural charm and rustic image belies a host of healthy and vibrant businesses. Numerous diverse communities thrive on their distinct and individual character to give Herefordshire a uniqueness which is valued by residents, visitors and those who work in the county.

The city of Hereford lies in the middle of the county and other principal locations are the five market towns of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington. Herefordshire is a predominantly rural county, which presents opportunities in, for example, tourism and agriculture, but also presents challenges, such as in geographical barriers to services.

As of mid-2020, Herefordshire's resident population was estimated to be 193,600. The county has a relatively older age structure compared with nationally with almost a quarter (24%) of the population are aged 65 or over. Numbers of older people are set to continue growing at a higher rate than the younger age groups. This can lead to implications for local communities and public services.

Herefordshire has the second highest road length per head of population in England and with only four railway stations, people are particularly dependent on road transport, with the majority of residents who travel to get to work doing so by car. Rates of cycling are relatively high, but in remote rural areas the frequency of bus services can be an issue for those reliant upon public transport and parts of rural Herefordshire are among those at the highest risk of transport poverty nationally.



During 2020/21 Herefordshire was affected by the national pandemic, Covid-19. Covid-19 continues to have a very significant impact on the local economy, due to government instructions to close tourism, leisure, cultural and hospitality businesses. Manufacturing businesses have been severely affected by the need to introduce social distancing (meaning many have had to close) and a significant drop off in trade. Covid-19 also had an impact on a number of the capital projects as construction was paused and adapted during the lockdown periods.

Covid-19

In 2020 Covid-19 caused the most severe contraction in the UK economy for over 300 years. Although some of this ground has since been made up and vaccinations mean we can begin to be more confident about a road to recovery, it is likely that the impact of the pandemic on businesses, jobs and households will continue to be felt in the months and years ahead. Existing inequalities have widened during the pandemic, with the low-paid and already vulnerable groups disproportionately affected across a range of socio-economic and health measures.

The UK went into lockdown on March 23 2020 and further lockdowns in November 2020 and January 2021 followed. The recovery phase is now underway and council plans are continuing to evolve as this situation changes.

The Council immediately moved into an emergency response mode and responded quickly to safeguard its community and employees by ceasing some council services and commencing new ones, such as the provision of personal protective equipment (PPE). Other services have adapted their working methods to include working remotely and by putting in place additional health and safety measures. Over 200 staff were redeployed from non-critical services to support the Covid-19 emergency response. Many assisted with delivering emergency supplies and supporting the most vulnerable residents

The financial management key risk includes financial pressures, including increased costs relating to Adult Social Care provision, increased costs of Children's Social Care placements, purchase of essential personal, protective equipment (PPE), homeless support, income shortfalls relating to closed facilities and charging changes plus predicted income shortfalls in relation to Council Tax and Non Domestic Rates.

The Council was quick to establish processes for awarding grants under the various central government

schemes including business grants. Around £90m in grant support was paid to Herefordshire businesses in 2020/21 in addition to approximately £30m in business rate relief.

Performance

In February 2020 Council approved its new corporate plan, The County Plan for 2020/24. This will shape the future of Herefordshire with the overall aim to improve the sustainability, connectivity and wellbeing of the county by strengthening communities, creating a thriving local economy and protecting and enhancing our environment.

Each year the council agrees a corporate delivery plan that details the actions which will be taken in the coming year and how progress will be measured through a number of agreed performance measures. These have been selected because they demonstrate progress towards achievement of the council's priorities and also provide an overview of the council's performance from a resident's perspective.

Performance is regularly reported to Cabinet and is structured around the three themes being Economy, Environment and Community. During 2020/21 these updates included the following (more details can be found on the council's website):-

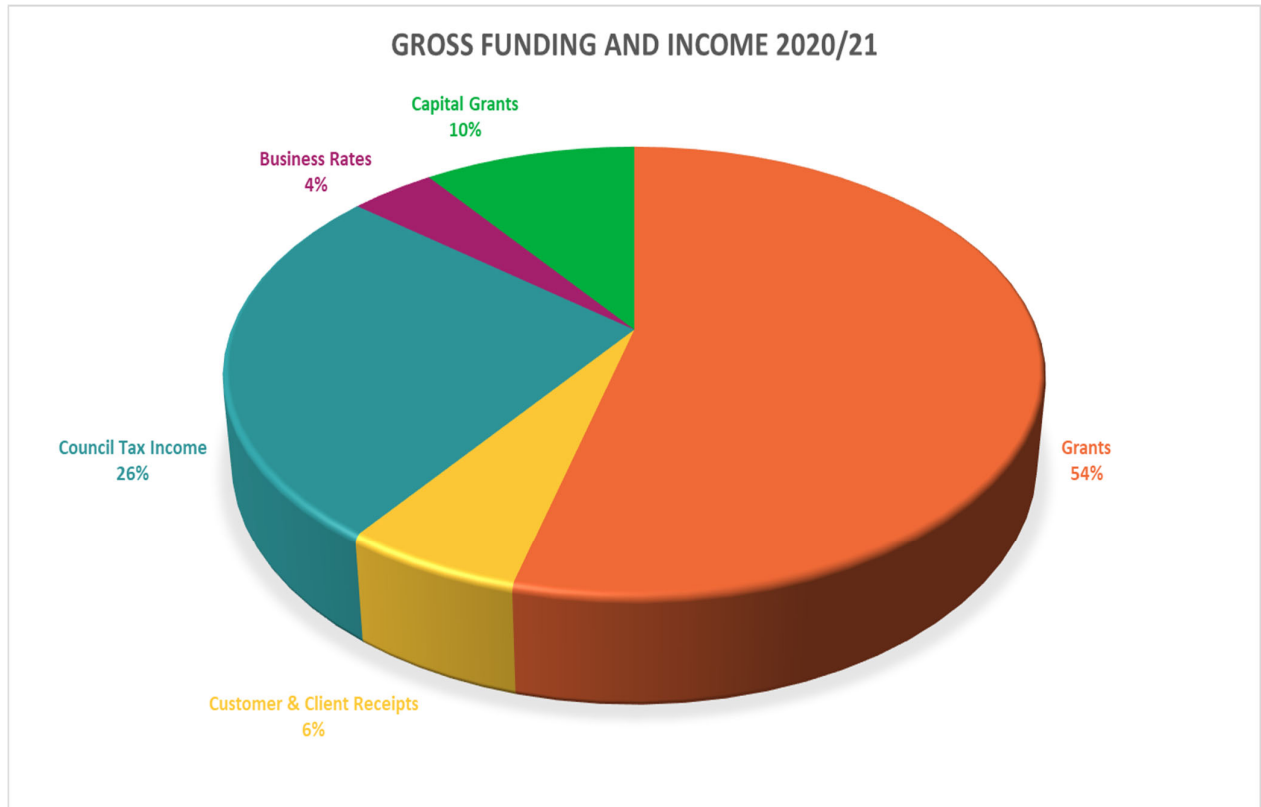
1. The annual plan for capital highway maintenance works and additional capital funding combined investment resulted in 116 surfacing schemes, 12 surface dressing schemes, 25 footway schemes, 41 drainage schemes, 21 public rights of ways, bridges and crossings, 25 major structure schemes and 135 minor structure projects completing. During the last quarter the two repair sites at Fownhope were completed, ending its 13 month closure.
2. During April 2021, the council received a court judgement identifying failings in relation to children in our care. Following this the Department for Education have issued a non-statutory Improvement Notice to address serious concerns in respect of the council's children's services. An improvement board has been established and will ensure the improvement plan delivers improvements to children's services.
3. The Herefordshire Skills Board was established in February 2021; this multi-agency board will increase and improve provision of skills development and community learning in Herefordshire now and in the future.
4. Herefordshire Council has been designated as the lead authority for the Community Renewal Fund in Herefordshire. This fund will support people and communities in need to pilot new approaches and invest in new skills, community and place to support people in to employment.
5. Superfast broadband is now available in more than 93% of premises in Herefordshire.
6. Council confirmed the recommendation from cabinet to stop the western bypass and southern link road projects and remove them from the capital programme at its meeting on 2 February 2021.
7. Beryl Bikes has been extended and is now offering 30 e-bikes across the county in addition to their core offer. These e-bikes have been well received and are averaging 3 uses a day, this coincides with an increase of new Beryl users. Free Sheffield Stands have also been offered to local shops and businesses to support cycle travel in the county.
8. Keep Herefordshire Warm is working with partners to access as many fuel poor households as practicably possible.
9. The council is acquiring land to establish integrated wetlands sites as tertiary treatment for waste water.
10. A proposal for a Talk Community Debt and Money Management has also been approved and grants have been awarded to 7 organisations to deliver projects across Herefordshire.

Financial performance

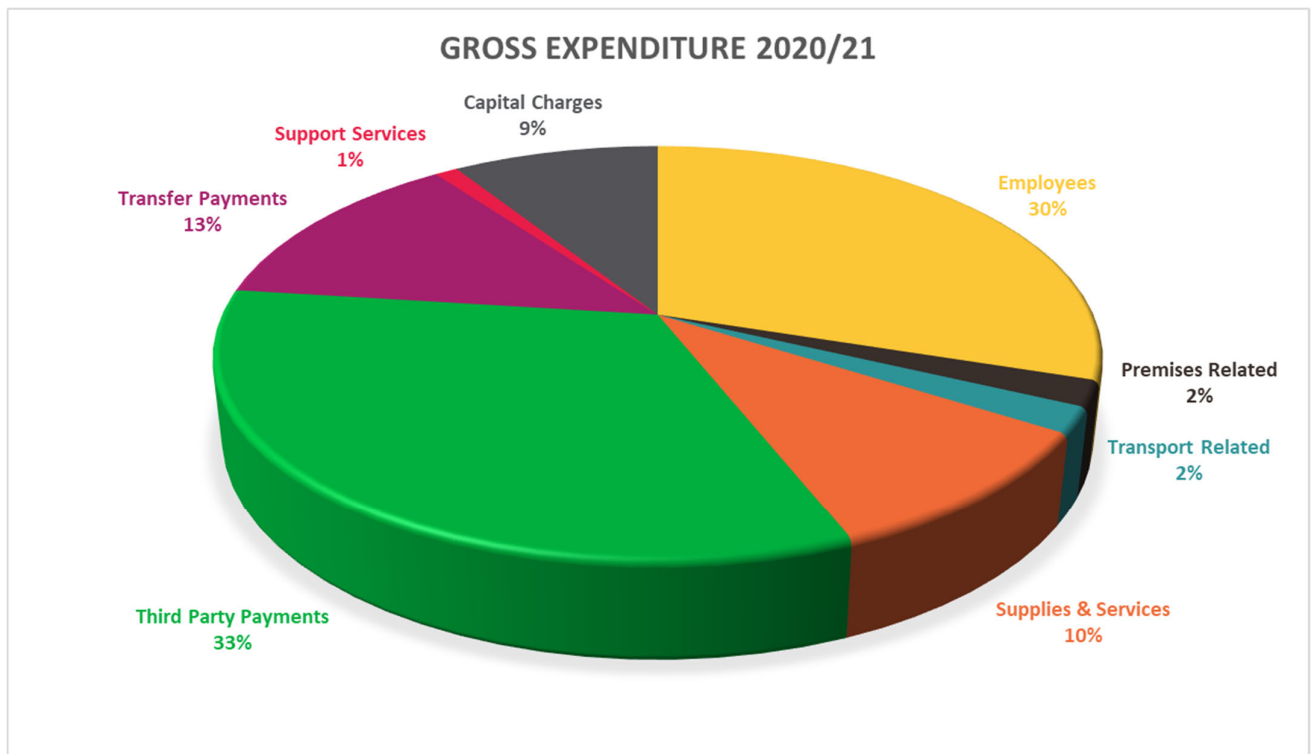
Herefordshire is a rural county with an older demographic and, like other councils and the wider public sector, has faced significant financial challenges over recent years as central government funding has been reduced, while costs and demand increase. 2020/21 financial performance was also severely affected by Covid-19.

The council delivered a balanced outturn due to £9.9m of direct Covid-19 additional to budget costs being funded by central government.

The main categories of council expenditure and sources of funding are as shown in the charts below:



The Herefordshire Council element of the Council Tax Band D equivalent was set at £1,652.30 in 2020/21.



The council's financial performance for the year is summarised below:

Service	Outturn Budget £m	Outturn Actual £m	Covid-19 related £m	Outturn over/(under) excluding Covid-19 £m
Adults and communities	47.4	48.4	3.0	(2.0)
Children and families	32.6	36.9	0.6	3.7
Economy and place	33.4	36.7	2.5	0.8
Corporate	16.9	20.1	3.9	(0.7)
Directorate outturn	130.3	142.1	10.0	1.8
Central, treasury management, capital financing and reserves	26.8	25.0	-	(1.8)
Total	157.1	167.1	10.0	-

Adults & Communities Directorate delivered a net underspend of £2.0m due to certain areas of client expenditure reducing due to the impact of Covid-19, along with underspends in some of the operational staffing budgets due to vacant posts. The Childrens and Families Directorate overspend reflects the cost pressure in placements costs. The overspend in Economy & Place Directorate reflects the reduction in income relating to Covid-19, this includes a significant loss in car parking income during the year.

The central, treasury management, capital financing and reserves underspend reflects the delayed need to borrow from a combination of high cash balances and slippage in capital investment spend in 2020/21.

The 2020/21 detailed performance outturn was reported to Cabinet 3 June 2021.

In addition to revenue spend the council delivered significant capital investment including:-

- *Fastershire - this is a partnership tasked with bringing faster broadband to the county. Phase 1 aimed to provide 90 per cent of Gloucestershire and Herefordshire with fibre broadband with a minimum speed of 2Mbps by 2016 and Phase 2 will extend fibre coverage further across the counties. The ultimate aim is that by the end of 2022/23 there will be access to fast broadband for all who need it. Fastershire won the top prize at the national Connected Britain awards.*
- *Maylords Shopping Centre in Hereford city centre was purchased for £4.2m inclusive of all fees. The proposed purchase was a strategic acquisition which would support the council's policies in respect of economic growth and enable the council to plan for any future demand or development opportunity that may arise in line with the cabinet's county plan objectives.*
- *Marlbrook Primary School's new permanent building to accommodate the additional six classrooms required to remove all temporary accommodation and provide the teaching space required for the additional pupils opened in February 2021.*
- *The development of Shell Store site on the Hereford Enterprise Zone commenced in summer 2019 and completed in 2020 following a delay in construction related to Covid-19. The £7.5m redevelopment will establish the first purpose built business incubator facility in the county. The Shell Store will provide employment space for up to 40 dynamic and innovative businesses, driving economic growth through the generation of new jobs.*
- *The construction of a £9m Midlands Centre for Cyber Security on the Hereford Enterprise Zone completed in*

2020 following a delay due to Covid-19. The Joint Venture with the University of Wolverhampton will create a range of opportunities in the growing cyber security sector in Herefordshire, providing business accommodation alongside product testing, specialist research and educational facilities, benefitting the local economy through investment, job creation and skills development.

- In July 2019 construction commenced on the first bespoke student accommodation development in Hereford. Developing higher education in the county is critical to establishing higher-level skills, retaining/attracting a younger generation to learn, live and work in Herefordshire, and to attracting employers offering higher value job opportunities. The site is expected to be handed over to Cityheart in August 2021 to enable occupation for the 21/22 academic year.*

Risks and uncertainties

Council approved a medium term financial strategy, treasury management strategy and capital strategy in February 2021 for the period ahead. Following the pandemic significant saving targets have been set for 2021/22, Herefordshire council has historically risen to the financial and demand challenges it faces by developing strategies and plans to continue to provide valued services to its residents.

The council maintains both corporate and directorate risk registers. The corporate risk register is published routinely as part of the regular corporate budget and performance reporting. In addition, areas for improvement are addressed in the accompanying annual governance statement.

We have provided additional funds to the children and families directorate to support the improvement plan requirements in improving our services to children. Demand management continues to be key in ensuring future financial resilience.

As at the balance sheet date the risks from the effects of Covid-19 and the United Kingdom negotiating its exit from the European Union (EU) are still being experienced through increased volatility in economic stability and reduced access to resources. To mitigate this the council has maintained a general fund reserve, increased ear marked reserves, used prudent assumptions in its medium term financial strategy and reduced reliance on grant funding in all directorates. At the same time it is supporting the increase of local economic and social investment to increase its core income sources.

Significant provisions, contingencies and write-offs

The council held provisions of £8.1m as at 31 March 2021 (£6.8m as at 31 March 2020).

The most significant provision is the business rates appeal provision of £4.9m based on an independent assessment of the council's liability in relation to business rate appeals at 31 March 2021. This assessment considers the appeals both lodged with the Valuation Office Agency and those yet to be registered.

At 31 March 2021 the council also held a provision of £2m for independently assessed outstanding insurance commitments including expected costs relating to insurance cover excess liabilities.

There are no contingent liabilities set out in the Statements and there were no significant general fund income write-offs in the year.

Pensions

In accordance with International Accounting Standard 19 on Retirement Benefits (IAS 19), the pension's note, note 36, sets out the council's assets and liabilities in respect of the Local Government Pension Scheme (LGPS).

Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund.

Herefordshire's proportion of the net deficit on the Worcestershire County Council Pension Fund as at 31 March 2021 is £281.7m. Whilst this deficit does not have to be met immediately, it requires recovering over a period of future years. In addition the balance sheet deficit also includes £0.7m relating to ex Hereford and Worcester teachers' unfunded benefits.

The council has agreed with the Actuary contributions to recover the deficit over a number of years, a deficit repayment of £4.2m (including schools) will be paid in 2021/22.

The pension fund position is reviewed every three years and was last revalued as at 31 March 2020, where the in-service contribution rate increased to 17.6% (previously 15.6%) and the deficit contribution decreased to 10.4% (previously 16.6%). These changes have been reflected in the medium term financial strategy.

An explanation of the financial statements

The 2020/21 statement of accounts which follow set out the council's income and expenditure for the year and its financial position as at 31 March 2021. The format and content of the statements is prescribed by CIPFAs Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This is based on International Financial Reporting Standards adapted for use in a public sector context. The statement of accounts comprises:

Explanation of the financial statements	
Movement in reserves	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either "usable" reserves, which can be used to fund future expenditure, or "unusable" reserves which are maintained to meet specific statutory responsibilities.
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure Funding Analysis compares the CIES with levels of income and expenditure which are taken into account setting the annual budget and council tax requirement, since certain amounts are disregarded by statute. Note 6 also provides a subjective analysis of the CIES.
Balance Sheet	The Balance Sheet shows the councils assets and liabilities as at the year end. Net assets are matched by reserves which may be "usable" or "unusable", see above.
Cash flow statement	This shows how the Council generates and uses cash and cash equivalents, and explains the reasons for changes in cash balances during the year.
Statement of accounting policies	Sets out the accounting policies that have been followed in preparing the statements and how Code requirements have been met in practice.
Disclosure notes	These provide more detail about individual transactions and balances.
Statement of group accounts	The group financial statements consolidate the accounts of the Council with those of its subsidiary undertaking, Hoople Limited.
Collection Fund	This account demonstrates how income raised from local taxpayers has been re-distributed to the Council and to other precepting authorities for the provision of services.

A glossary of terms is included at the end of the statements.

Capital Investment Budget

Capital investment set out in the capital programme will support the corporate plan priorities by:

- Improving schools
- Enhancing infrastructure
- Supporting housing delivery and
- Creating job opportunities

Capital investment for 2020/21 totalled £55.01m. This was financed by capital grants £43.67m, prudential borrowing £10.60m, revenue reserves £0.04m and capital receipts £0.70m. The investment included the following corporate priority schemes:

- Marlbrook Primary School Extension - £4.5m
- Hereford Enterprise Zone – Shell Store - £2.6m
- Fastershire broadband rollout - £2.7m
- Development Partnership activities (includes Maylords Shopping Centre) - £4.2m
- Hereford Enterprise Zone - £5.4m
- Schools Capital Maintenance Grant - £1.2m
- Disabled Facilities Grant - £2.0m
- Hillside - £0.6m
- Highway asset management & major infrastructure investment (including flood works) - £10.5m
- Local transport plan road improvement works - £12.3m

Future years' capital programme

The council maintains a rolling capital programme reflecting commitments, links to strategic plans and estimated sources of capital funding. The council's capital strategy was approved at the same time as the capital programme. The capital programme budget approved at Council February 2021 is detailed, including the sources of funding in the table below, the 2021/22 budget will increase by the underspend carried forward from 2020/21.

Scheme Name	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Economy & Place							
Hereford City Centre Transport Package	3.4	2.0	-	-	-	-	5.4
Hereford City Centre Improvements (HCCI)	3.0	1.5	-	-	-	1.5	3.0
Passenger Transport Fleet (Electric)	7.8	15.6	15.6	-	-	35.0	4.0
Local Transport Plan (LTP)	12.3	-	-	-	-	12.3	-
E & P's S106	0.8	-	-	-	-	0.8	-
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	2.3	-	-	-	-	-	2.3
Highway asset management	1.0	-	-	-	-	-	1.0
Hereford Enterprise Zone	2.0	-	-	-	2.0	-	-
Marches Renewable Energy Grant	0.1	-	-	-	-	0.1	-
Marches Business Investment Programme	0.9	1.3	-	-	-	2.2	-
Empty Property Investment & Development	0.7	0.3	-	-	-	-	1.0
Employment Land & Incubation Space in Market Towns	10.8	3.1	5.5	-	6.3	2.1	11.0
Leominster Heritage Action	0.8	2.7	-	-	1.8	1.7	-

Scheme Name	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Zone							
Strategic Housing Development	10.0	10.0	-	-	-	-	20.0
Development Partnership activities	3.3	3.2	-	-	-	-	6.5
Solar Photovoltaic Panels	1.3	-	-	-	-	-	1.3
Integrated Wetlands	0.8	-	-	-	-	0.8	-
Estates Capital Programme 2019/22	2.7	0.7	0.1	-	-	-	3.5
Gypsy & Traveller Pitch development	0.7	-	-	-	-	-	0.7
Grange Court Loan	0.4	-	-	-	-	-	0.4
Air Quality Monitoring Station Resource Improvements	0.1	-	-	-	-	-	0.1
Corporate							
Fastershire Broadband	6.7	6.7	-	-	-	5.2	8.2
PC Replacement	0.4	-	-	-	-	-	0.4
Capital Development Fund	1.0	-	-	-	-	1.0	-
Children's & Families							
Schools Capital Maintenance Grant	1.2	1.2	-	-	-	2.4	-
Peterchurch Primary School	7.3	3.2	-	-	5.3	-	5.2
Expansion for Marlbrook school	1.6	-	-	-	-	-	1.6
Brookfield School Improvements	3.2	-	-	-	1.2	0.1	1.9
C & F's S106	0.3	-	-	-	-	0.3	-
Basic Needs Funding	5.7	2.0	-	-	-	7.4	0.3
School Accessibility Works	0.2	-	-	-	-	-	0.2
Temporary school accommodation replacement	0.2	-	-	-	-	-	0.2
Adults & Communities							
Disabled facilities grant	1.9	-	-	-	-	1.9	-
Carehome & Extra Care Development	0.7	13.1	-	-	6.1	0.2	7.5
Technology Enabled Communities	0.5	-	-	-	-	0.5	-
Super Hubs	1.8	-	-	-	1.8	-	-
Total	97.9	66.6	21.2	0.0	24.5	75.5	85.7

Funding capital investment

Much of the council's investments are funded by grants however, when capital grants cannot fund a scheme in full, prudential borrowing can be used to fund the investment and the capital financing costs may be repaid from future savings generated by the investment. In 2020/21 the council utilised £10.6m of prudential borrowing to fund the capital investment budget, including:

- Hereford City Centre Transport Package £0.4m
- Priority Flood Works £1.5m
- Marlbrook Primary School Extension £2.6m
- PC Replacement £0.3m
- Gypsy and Traveller Pitch Development £0.6m

- Property Estate Works - £2.3m
- Highways Asset Management £0.7m
- Hereford Enterprise Zone – Shell Store £0.8m
- Courtyard Loan £0.6m

Council borrowing

The council's borrowing strategy is determined each year within the treasury management strategy, which is approved as part of the budget setting process. External borrowing is obtained to support the council's capital programme. Borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities.

In 2020/21 no new long term borrowing was undertaken. This is due, in part, to the cash balances held, including those in the capital receipts reserve, deferring the need to borrow. Principal debt repayments of £3.5m were paid to the Public Works Loan Board under existing maturity, annuity and EIP (equal instalments of principal) agreements. Total interest of £5.2m was paid on all council borrowing during the year.

Total borrowing at the year end, including short term loans, was £126.8m (compared to £130.3m as at 31 March 2020).

The amounts noted above relate to principal loans outstanding at the end of the year. The borrowing figures in the balance sheet are higher due to the inclusion of accrued interest and other accounting adjustments required up to 31 March.

Net borrowing (after offsetting investments) was £65.4m as at 31 March 2021, compared to £92.3m as at 31 March 2020.

Council reserves

2020/21 saw the councils general reserve balance increase to £9.1m. Herefordshire's medium term financial strategy includes a reserves policy and the reserve position is reviewed by Council on an annual basis. Specific earmarked reserves are set aside to deal with expenditure commitments in future years, these totalled £109.2m (this includes £10.3m school balances and £13.5m in relation to carried forward business rate relief grant from central government) as at 31 March 2021.

Annual governance statement

The Council is required by statute to provide an Annual Governance Statement which is a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and the Leader of the Council. A copy is provided at the end of this publication.

Statement of Responsibilities

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:

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

The Section 151 Officer has also:

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

Certificate of the Chief Finance Officer (Section 151 Officer)

I confirm 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 2021 and its income and expenditure for the year ended 31 March 2021.

Andrew Lovegrove, Chief Finance Officer (section 151 officer)

24 November 2021

Independent Auditors Report

To follow

Core Financial Statements and Explanatory Notes

Movement in Reserves Statement

2020/21	Notes	General Fund Balance £m	Earmarked Reserves £m	Total General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance brought forward		(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)
(Surplus) / deficit on the provision of services		(17.5)	-	(17.5)	-	-	(17.5)	-	(17.5)
Other comprehensive income and expenditure		-	-	-	-	-	-	(2.7)	(2.7)
Total comprehensive income and expenditure		(17.5)	-	(17.5)	-	-	(17.5)	(2.7)	(20.2)
Adjustments between accounting basis and funding basis under regulations		(8.6)	-	(8.6)	(0.4)	(5.7)	(14.7)	14.7	-
Net (increase)/decrease before transfers to earmarked reserves		(26.1)	-	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)
Transfers (to) or from earmarked reserves	5	26.1	(26.1)	-	-	-	-	-	-
(Increase) / decrease for the Year		-	(26.1)	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)
Balance carried forward	3 & 4	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)	(122.4)	(296.1)

Movement in Reserves Statement 2019/20 comparative

2019/20 Comparative	Notes	General Fund Balance £m	Earmarked Reserves £m	Total General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance brought forward		(8.5)	(67.0)	(75.5)	(41.5)	(4.4)	(121.4)	(112.2)	(233.6)
(Surplus) / deficit on the provision of services		(12.1)	-	(12.1)	-	-	(12.1)	-	(12.1)
Other comprehensive income and expenditure		-	-	-	-	-	-	(30.2)	(30.2)
Total comprehensive income and expenditure		(12.1)	-	(12.1)	-	-	(12.1)	(30.2)	(42.3)
Adjustments between accounting basis and funding basis under regulations		(1.0)	-	(1.0)	(2.7)	(4.3)	(8.0)	8.0	-
Net (increase) / decrease before transfers to earmarked reserves		(13.1)	-	(13.1)	(2.7)	(4.3)	(20.1)	(22.2)	(42.3)
Transfers (to) or from earmarked reserves	5	12.5	(12.5)	-	-	-	-	-	-
(Increase) / decrease for the Year		(0.6)	(12.5)	(13.1)	(2.7)	(4.3)	(12.9)	(22.2)	(36.6)
Balance carried forward	3 & 4	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)

Comprehensive Income and Expenditure Statement

	2019/20				2020/21		
Expenditure	Income	Net		Notes	Expenditure	Income	Net
£m	£m	£m			£m	£m	£m
92.5	(39.4)	53.1	Adults and Communities		103.7	(55.5)	48.2
137.3	(100.1)	37.2	Children and Families		138.9	(103.0)	35.9
63.8	(26.4)	37.4	Economy and Place		85.2	(26.0)	59.2
74.6	(41.8)	32.8	Corporate and Central Services		73.7	(42.0)	31.7
368.2	(207.7)	160.5	Net Cost of Services	2	401.5	(226.5)	175.0
6.1	-	6.1	Other Operating Expenditure	7	6.3	-	6.3
15.7	(5.9)	9.8	Financing, Investment Income and Expenditure	8	22.9	(6.4)	16.5
-	(188.5)	(188.5)	Taxation and Non-Specific Grant Income	9	-	(215.3)	(215.3)
390.0	(402.1)	(12.1)	(Surplus) / deficit on the provision of services		430.7	(448.2)	(17.5)
		(9.4)	(Surplus) / deficit in revaluation of non-current assets	4			(15.7)
		(20.8)	Re-measurement of net defined Benefit Liability				13.0
		(30.2)	Other comprehensive (income) / expenditure				(2.7)
		(42.3)	Total comprehensive (income) / expenditure				(20.2)

Balance Sheet

31 March 2020		Notes	31 March 2021
£m			£m
626.7	Property, Plant and Equipment	10	648.6
33.8	Investment Property	10	38.7
-	Intangible Assets	10	0.1
3.2	Heritage Assets	10	3.2
41.4	Long Term Debtors	11	40.2
705.1	Long Term Assets		730.8
19.1	Short Term Investments	11	44.0
0.2	Inventories		0.2
34.9	Short Term Debtors	12	52.2
23.3	Cash & Cash equivalents	13	22.9
3.3	Assets held for Sale	10	-
80.8	Current Assets		119.3
(4.4)	Short Term Borrowing	11	(3.3)
(43.7)	Short Term Creditors	18	(76.6)
(2.4)	Short Term Provisions	20	(3.7)
(8.8)	Cash & Cash equivalents	13	(1.7)
(59.3)	Current Liabilities		(85.3)
(4.4)	Long Term provisions	20	(4.4)
(127.2)	Long Term borrowing	11	(124.9)
(8.2)	Capital Grants Receipts in Advance	19	(9.6)
(310.9)	Other Long Term Liabilities	11	(329.8)
(450.7)	Total Long Term Liabilities		(468.7)
275.9	Net Assets		296.1
(141.5)	Usable Reserves	3	(173.7)
(134.4)	Unusable Reserves	4	(122.4)
(275.9)	Total Reserves		(296.1)

The audited accounts, notes and accounting policies were authorised by the Chief Finance Officer and chair of Audit and Governance Committee on 24 November 2021.

Cash Flow Statement

2019/20 £m		Notes	2020/21 £m
(12.1)	Net (surplus) or deficit on the provision of services		(17.5)
(31.3)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	14	(66.6)
5.6	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	15	1.1
(37.8)	Net cash flows from operating activities		(83.0)
24.3	Net cash flows from investing activities	16	69.5
9.8	Net cash flows from financing activities	17	6.8
3.7	Net (increase) or decrease in cash and cash equivalents		(6.7)
(18.2)	Cash and cash equivalents at the beginning of the reporting period		(14.5)
(14.5)	Cash and cash equivalents at the end of the reporting period		(21.2)
3.7	Net decrease or (increase) in cash and cash equivalents		(6.7)

Notes to the Accounts - Accounting Policies

1.1 General Principles

The council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2020/21 supported by International Financial Reporting Standards. The core statements and the statement of group accounts have consistently applied the accounting policies below, where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Limited.

The Accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Revenue and capital transactions are accounted for on an accruals basis where above the de-minimis thresholds, currently £5k for revenue and £10k for capital. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made. The capital de-minimus threshold means capital spend below this threshold can be treated as revenue expenditure.

Customer and client receipts are accounted for in the period to which they relate. The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Interest payable on external borrowings and interest income is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Debtors and creditors are included in the accounts on an actual basis where known, or on an estimated basis where precise amounts are not established at the year-end.

1.3 Borrowing Costs

Borrowing costs that can be directly attributed to acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Qualifying assets are assets that take a substantial period of time to get ready, which is sufficiently long enough for a material balance of borrowing to accrue. This will be applied to schemes lasting more than 12 months and with at least £10k of annual interest cost associated with the project.

1.4 Cash and cash equivalents

Cash comprises 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.

1.5 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.

Employee benefits

1.6 Benefits payable during employment

Employment benefits are accounted for according to the principles of accruals of expenditure. Short term compensated absences, such as annual leave, are recognised when employees render services that increase their entitlement to future compensated absences. These are measured as the additional amount that the council expects to pay as a result of unused entitlement at the balance sheet date, including employer's national insurance and pension contributions. The accumulated benefits are included in the balance sheet as a provision for accumulated absences. The amounts charged to the General Fund are reversed out through the Movement in Reserves Statement to the accumulated absences account in the balance sheet.

1.7 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:

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

Termination benefits are recognised immediately in the Surplus or Deficit on the Provision of Services.

1.8 Post-employment benefits

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

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

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' scheme however mean that the liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the education service revenue account is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

Staff transferred with an NHS pension are accounted for as members of an unfunded defined benefit scheme. Therefore, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for transferred staff.

The Local Government Pension Scheme is accounted for as a defined benefit scheme as follows:

- a) 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;
- b) Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on market yields and other factors);
- c) Assets are included in the Balance Sheet at their fair value determined through market or bid prices or using

- professional valuations;
- d) The change in the net pension's liability is analysed into six components;
- i. **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
 - ii. **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.
 - iii. **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.
 - iv. **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.
 - v. **Actuarial gains and losses:** 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.
 - vi. **Contributions paid to the pension fund:** Cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover amounts payable by the council to the pension fund in the year. In the Movement in Reserves Statement there is an appropriation to or from the Pensions Reserve to replace the notional costs of retirement benefits with the amounts payable to the pension fund in the year.

Further information on accounting for the pension fund is set out in the Statements.

1.9 Events after the balance sheet date

Events after the Balance Sheet date 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;

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

1.10 Extraordinary items

Where items of income and expenditure are material, the nature and amount is disclosed separately in the Comprehensive Income and Expenditure Statement or in the notes to the statements.

1.11 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.

1.12 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, the fair value policy below provides more detail, the recognition and measurement of Financial Instruments is reported in accordance with IFRS 9.

1.13 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 a 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 exactly 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. The council has two stepped interest rate loans, where the effective interest rate differs from the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

1.14 Financial assets

Following the adoption of IFRS9 in 2018/19 financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.17 Fair Value Measurement Policy.

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

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The council has no equity instruments designated at fair value through other Comprehensive Income (FVOCI).

Expected Credit Loss Model

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

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

1.15 Government grants and other contributions

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.

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has conditions that the council has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income to the General Fund according to the capital control regime. These amounts are accounted for as follows;

- Where conditions of the grant are outstanding at the balance sheet date, they are recognised as Capital Grants Receipts in Advance. Once the conditions have been met the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, no conditions remain outstanding and the expenditure has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account. This reflects the application of capital resources to finance expenditure and is reported in the Movement in Reserves Statement.
- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account. When the expenditure is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure.

1.16 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 accrued 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.

Investment property value is measured at fair value in compliance with IFRS 13, the fair value measurement policy is provided below.

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 as follows;

- a) On de-recognition of an investment property the disposal proceeds are credited to the Capital Receipts Reserve and the carrying amount of the property is debited to the Capital Adjustment Account.
- b) Gains or losses are reversed out to the Capital Adjustment Account.

1.17 Fair Value Measurement Policy

The Council measures some of its non-financial assets, such as investment properties and surplus assets, at fair value at each reporting date. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosure notes.

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.

A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The concept of highest and best use applies only when determining the fair value of non-financial assets, e.g.

surplus assets or investment property. They do not apply to financial assets or to financial liabilities on the basis that financial assets or financial liabilities do not have alternative uses.

Financial liabilities and assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

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, and
- Level 3 inputs – unobservable inputs for the asset or liability.

Where Level 1 inputs are not available expert valuers use valuation techniques appropriate for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Three widely used valuation techniques are: (i) market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business); (ii) cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost); (iii) income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts. There has been no change in the valuation techniques used during the year for investment properties.

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. All comparable evidence used for valuing this class of property has been ranked into three tier groups based upon the criteria below. All investment property fair value measurements have been assessed at tier level two and financial instruments have been assessed at tier level two or tier level three.

Criteria	Tier Level
Comparable evidence that is identical to the asset that is being measured in terms of: <ul style="list-style-type: none"> • Physical Location • Condition • Orientation • Levels of Natural Light • View • Access and visibility • Tenure and Covenants • Construction Type and Cost • Size and Layout • Facilities • Lease Options • Obsolescence 	1

Criteria	Tier Level
<ul style="list-style-type: none"> • Comparable evidence available within an active market of similar assets • Comparable evidence for similar assets or liabilities in markets that are not active • Non-value comparable evidence (e.g. yields) for similar asset types available • Comparable evidence corroborated by observable market evidence • Implied and non-implied covenants within the lease negating the need for comparable evidence • Transparency of Market Data • Minimal principal adjustment of comparable evidence, non-significant adjustment • Comparable analysis 	2
<ul style="list-style-type: none"> • No comparable evidence available • Unobservable inputs • Comparable evidence requires significant adjustment from the principal market 	3

1.18 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.

1.19 Finance leases

- a) Where the council is lessee - finance leases are recognised as assets and liabilities at the fair value of the property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. Assets recognised under a finance lease are depreciated over the shorter of the lease term and the asset's useful economic life. Assets recognised under a finance lease are subject to revaluation in the same way as any other asset.
- b) Where the council is lessor - assets held under a finance lease are recognised as a debtor equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and interest. The only assets held under finance leases are Academy schools. These assets are transferred to the school under a peppercorn rent and treated as an asset disposal.

1.20 Operating leases

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

1.21 Arrangements containing a lease

Arrangements that do not take the legal form of a lease but convey the right to use an asset in return for payments, are assessed under IFRIC 4 to determine whether the arrangement contains a lease. This requires an assessment of whether;

- a) The arrangement depends on use of a specific asset

- b) The arrangement conveys the right to use the asset

If the arrangement contains a lease, that lease shall be reviewed and classified as a finance or operating lease.

1.22 Overheads and Support Services

Overheads and support services are represented in accordance with the council's arrangements for accountability and reporting of its financial performance.

1.23 PFI schemes

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:

- a) Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- b) 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 & expenditure.
- c) 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.
- d) Payment towards liability – applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.
- e) 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 traditional PFI contracts, one in partnership with Worcestershire County Council for the provision of waste management services and the other for the provision of Whitecross High School. The council also has one contract that falls within the definition of a similar contract to a PFI, which is the Shaw Healthcare contract for the provision of residential care services. Under the Shaw Healthcare contract the rent and service charges paid to Shaw by residents for the council's extra care flats at Leadon Bank have been treated as a contribution to the revenue costs of the units.

1.24 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use on the production or supply of goods and

services, for rental to others, or for administration purposes, and are expected to be used for more than a year.

1.25 Recognition

Property, plant and equipment is only recognised as an asset on the balance sheet if;

- a) it is probable that the future economic benefits or service potential will flow to the council, and
- b) the cost of the asset can be measured reliably.

Costs meeting the definition of recognition include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. The costs arising from day-to-day servicing of an asset are not capitalised as this does not add to the future economic benefits or service potential of the asset. The council does not capitalise property, plant and equipment costing less than the de-minimis thresholds, currently £10,000. The council also does not include assets on the councils asset register used to prepare the statement of accounts where the asset value is less than £100,000. Where a component is replaced or enhanced, the carrying amount of the old component is derecognised and the new component is reflected in the carrying amount on the assets valuation basis.

1.26 Schools

In line with accounting standards and the Code, schools are considered to be under the Council's control so the 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, or Free School, 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.

The current value of schools is included using 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.

1.27 Measurement

Assets are initially recognised at cost and accounted for on an accruals basis. The measurement of cost comprises:

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

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

- a) Community assets and assets under construction – historical cost.
- b) Land and buildings – current value in accordance with Royal Institution of Chartered Surveyors guidelines. Where there is no market-based evidence of current value because of the specialist nature of the asset current value may need to be estimated using a depreciated replacement cost approach (DRC).
- c) Vehicles, plant and equipment – depreciated historical cost (as a proxy for current value)

1.28 Revaluations

Assets included in the Balance Sheet held at current value are revalued where there have been material changes in the value in addition to a rolling programme ensuring that revaluations occur at least every five years. In addition to this an annual review of assets not revalued is completed to ensure carrying amounts are not materially different to the current fair value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve was created with a zero balance on 31 March 2007. Gains may be credited to the Provision of Services where they arise from the reversal of an impairment loss or revaluation decrease previously charged to a service revenue account.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation that is not specific to the asset the decrease is recognised in the Revaluation Reserve to eliminate the credit balance existing in respect of the asset and thereafter reflected in the Surplus or Deficit on the Provision of Services.

Revaluation gains and losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

When an asset is revalued, any accumulated depreciation and impairment is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

1.29 Depreciation

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

The valuer makes a professional assessment of the economic life remaining based on the age, condition and suitability of the asset. For the purposes of depreciation a nil residual value is assumed for all building assets. New assets are not subject to a depreciation charge in the year of acquisition.

Each part of an asset with a cost significant in relation to the total cost is depreciated separately where the useful lives or depreciation methods of the components are different. The council reviews assets of £3m and over for componentisation and treats components of at least 20% of the asset value as being significant. This applies to enhancement expenditure and revaluations carried out from 1 April 2010. Where a component is replaced or restored, the carrying amount of the old component is derecognised.

Depreciation charged to the Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund and is transferred to the Capital Adjustment Account. This is reported in the Movement in Reserves Statement. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.30 Impairments

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. At the end of each financial year assets are assessed for any indications of impairment and if there are then the recoverable amount shall be estimated. Circumstances that indicate an impairment may have occurred include;

- a) A significant decline in an asset's value during the year, which is specific to the asset
- b) Evidence of obsolescence or physical damage of an asset

- c) A commitment by the council to undertake a significant re-organisation
- d) A significant adverse change in the statutory or other regulatory environment in which the council operates

General Fund service revenue accounts, central support services and trading accounts are charged with impairment losses (in excess of any balance on the revaluation reserve). An impairment on revalued assets is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount held in the Revaluation Reserve for the same asset and thereafter in the Surplus or Deficit on the Provision of Services.

1.31 Asset held for sale

An asset is transferred to this category when the asset is available for immediate sale, an active programme to locate a buyer is initiated, the sale is highly probable within 12 months of classification as held for sale (subject to limited exceptions), the asset is being actively marketed for sale at a sales price reasonable in relation to its current value and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

At the point of transfer the asset is immediately revalued to fair value and is included within current assets at the lower of this amount or fair value less cost to sell.

1.32 Disposals

The carrying amount of an asset is derecognised on disposal and the gain or loss on disposal of the asset is included in the Surplus or Deficit on the Provision of Services. This is not a proper charge to the General Fund and is reversed out by;

- a) Crediting the Capital Receipts Reserve with the disposal proceeds; and
- b) Debiting the Capital Adjustment Account with the carrying amount of the asset on disposal.

Any balance on the Revaluation Reserve is written off to the Capital Adjustment Account on disposal of the asset.

Where appropriate the costs of disposal are financed from the capital receipts generated up to a maximum of 4% of the capital receipt.

1.33 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus or Deficit on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

1.34 Agency arrangements

Where the council acts an agent, that is where it acts as an intermediary in the flow of funds to other parties, these transactions are included in an agency note to the accounts only, with any funds held at the year-end included in the balance sheet.

1.35 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.

1.36 Provisions

A provision is recognised when:

- a) An authority has a present obligation (legal or constructive) as a result of a past event;
- b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c) A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the cost of services when the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are made they are charged to the provision set up in the balance sheet.

1.37 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate revenue account and included in the Cost of Services. The reserve is then appropriated back through the Movement in Reserves Statement so that there is no charge against council tax for the expenditure.

1.38 Unusable reserves

The council has a number of unusable reserves which are kept to manage the accounting processes for non-current assets, financial instruments, the collection fund, retirement and employee benefits. These are not usable resources.

1.39 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

1.40 Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance

with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (minimum revenue provision), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

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 2%.
- MRP on unsupported borrowing incurred before 1 April 2008 will be written down on a straight line basis over the asset life.
- MRP on unsupported borrowing from 1 April 2008 onwards is written down on an annuity basis with an annuity rate of 3%.
- 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.

1.41 Value added tax

Revenue included in the Comprehensive Income and Expenditure Statement is only the amount relating to the council on its own behalf and therefore excludes VAT that must be passed on the HM Revenue and Customs. VAT is only included in the accounts to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of creditors or debtors.

1.42 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable

The sale of goods; revenue is recognised when all the following conditions have been satisfied:

- a) the significant risks and rewards of ownership have been transferred to the purchaser
- b) the council retains neither continuing managerial involvement nor effective control over the goods sold
- c) the amount of revenue can be measured reliably
- d) it is probable that the economic benefits or service potential associated with the transaction will flow to the purchaser, and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The rendering of services; when the outcome of a transaction can be estimated reliably, associated revenue is recognised according to the percentage completed at the reporting date. The following conditions need to be satisfied;

- a. the amount of revenue can be measured reliably
- b. it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- c. the stage of completion at the balance sheet date can be measured reliably; and
- d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest; revenue is recognised when;

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the council; and
- b) the amount of the revenue can be measured reliably.

Non-exchange transactions; occur when the council receives or gives value from another without directly giving or receiving an approximate equal value in exchange, for example council tax and business rate income. This revenue is recognised when;

- a. it is probable that the economic benefits or service potential associated with the transaction will flow to the council; and
- b. the amount of the revenue can be measured reliably.
- c.

1.43 Interests in Companies and Other Entities

An assessment of the council's interests has been carried out in accordance with the CIPFA Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the councils control and significant influence over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors, and materiality. These accounts have been prepared on a single entity basis with the Statement of Group accounts representing the position for the council and its subsidiary undertaking Hoople Limited. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

West Mercia Energy

West Mercia Energy (WME) operates as a joint arrangement with Herefordshire, Shropshire, Worcestershire and Telford and Wrekin councils. The Joint Agreement states that each Member Authority takes an equal share, being 25%, of any assets of the Joint Committee, at £0.3m this is considered not material. The financial advantage of bulk purchasing arrangements is reflected in the Comprehensive Income and Expenditure Statement.

South West Audit Partnership

Herefordshire Council has an internal audit function provided by the South West Audit Partnership (SWAP). SWAP is a not-for-profit organisation providing internal audit services to 24 local authorities' partner bodies. Upon joining SWAP each partner can nominate a director to the board, Herefordshire Council have done this. This represents the ability to work with other partners to provide feedback on services received. During 2020/21 Herefordshire Council paid SWAP £0.3m for their internal audit services (2019/20 £0.3m)

1.44 Tax Income (Council Tax and Non Domestic Rates (NDR))

Retained Business Rate and Top-up income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

1.45 Council Tax

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

NDR, Top-up and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the NDR 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. Each major preceptor's share of the accrued NDR and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

NDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and general 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.

1.46 Accounting standards that have been issued but have not yet been adopted

The accounting standards the Council must follow when preparing the Statement of Accounts are now endorsed by the UK instead of the EU.

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:

- Amendments to IFRS 3 – Business Combinations – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

None of these amendments are expected to have an impact on the Council's accounts in future years.

IFRS 16 Leases. This standard introduces new presentation and disclosure requirements in relation to arrangements that convey the right to use an asset. The standard requirements will become applicable from 1 April 2021, this follows a one year delay recognising the impact of Covid-19 pandemic. This will result in lessee arrangements being disclosed as finance leases. The impact of this change is expected to be immaterial in value.

1.47 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:

- The council is deemed to control the services provided by Shaw Healthcare under the contract for the development and provision of residential homes and day care centres. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement with the associated non-current assets included in the balance sheet with a corresponding finance liability.
- The council has relationships with a number of companies as detailed in the accounts and it has been determined that it will prepare group accounts to report its group position for the Council and its subsidiary, Hoople Limited.
- Herefordshire Council has committed to guarantee any deficit shortfall that may arise in Hoople Limited's Local Government Pension Scheme. For this reason both entities will be treated as a single entity for the purpose of determining contributions falling due and the council accounts report the combined deficit position.
- The council has determined that its accountable body status between the new Hereford University - the New Model in Technology & Engineering (NMiTE), and the Department for Education represents an agency arrangement and has disclosed this in note 23.
- The council accounts include all transactions made by schools, and the assets utilised by these schools unless the school is an academy or a free school, these entities are excluded.

1.48 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 that are otherwise uncertain. Estimates are made taking into account 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 made.

The estimations and assumptions reflect the uncertainty and volatility impact of the global outbreak of the Covid-19

virus pandemic. There remains a significant risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2021.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The pension fund actuary Mercer Limited is employed by the pension fund to provide expert advice about the assumptions to be applied.</p> <p>There is no certainty as to what effect the pandemic will have on future life expectancy. The vaccination programme and social distancing measures may reduce the prevalence of other contagious diseases so an increase in average life expectancy could arise. However, if future variants are not able to be controlled by vaccines, average life expectancy could decrease.</p>	<p>Changes in any of the assumptions can have a significant effect on the pension liability shown in the accounts.</p> <p>An increase in the discount rate used of 0.1% would decrease the liability stated by £12.5m.</p> <p>An increase of 0.1% in the inflation rate used would increase the stated liability by £12.7m.</p> <p>An increase of 0.1% in the rate of pay growth used would increase the stated liability by £1.1m.</p> <p>A one year increase in the assumed life expectancy would increase the stated liability by £22.7m.</p> <p>However, the assumptions interact in complex ways, the re-measurement of the net liability in 2020/21 totaled £13.0m.</p>
Non-current assets - depreciation	<p>Non-current assets held on the Balance Sheet have an estimated useful life. This is based the professional judgement of officers and external valuers.</p>	<p>Depreciation is applied on a straight line basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.</p>
Provisions	<p>A reliable estimate of sums falling due in future years have been included as year-end provisions, the most significant being in relation to insurance claims and business rate appeals.</p>	<p>Actual settlements could differ from the independent, professionally valued estimate provided for. Where the actual settlement is less unused provisions are released to the Comprehensive Income and Expenditure Statement. Where settlements exceed the provision value earmarked reserve funding is released.</p>
Land and Buildings	<p>At the current time, it is not possible to accurately predict the severity of the impact of Covid-19 on the economy. As at 31 March 2021 material valuation uncertainty remains but is contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of</p>	<p>The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of Covid-19 on these sectors and the difficulty in differentiating between short term impacts and longer term structural market changes, valuations will be kept under frequent review.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>relevant/sufficient market evidence on which to base critical judgements.</p>	
<p>Investment properties</p>	<p>As they are valued on a Market Value basis and can be more susceptible to valuation swings, linked to underlying market conditions and other asset specific changes; Investment Properties are subject to an annual valuation review and update to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.</p> <p>At the current time, it is not possible to accurately predict the severity of the impact of Covid-19 on the economy.</p>	<p>A 1% movement in Investment Property valuations would result in a £0.4m movement in the valuation of Investment Properties.</p>
<p>Property, plant, equipment and investment properties</p>	<p>A full valuation of assets held is completed in accordance with the professional standards of the Royal Institution of Chartered Surveyors at least every 5 years.</p> <p>In addition an annual impairment and valuation review is carried out for properties not valued in the year.</p>	<p>There is a risk of an adjustment in the year when the property is revalued.</p> <p>The risk of value misstatement of a fair value to its carrying value is reviewed annually and amended where considered significant.</p> <p>All assets requiring an independent professional valuation were valued in 2019/20 or 2020/21 therefore the risk of a value misstatement is considered to be low.</p> <p>The impact of Covid-19 on asset values is being kept under review</p>

2. Expenditure and Funding Analysis 2020/21

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.

2020/21	Adjustments between the funding and accounting basis					Net Expenditure in CIES
	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (1)	Net change for pension adjustments	Other adjustments (2)	Total	
	£m	£m	£m	£m	£m	£m
Adults and Communities	48.4	0.3	0.6	(1.1)	(0.2)	48.2
Children and Families	36.9	1.4	0.7	(3.1)	(1.0)	35.9
Economy and Place	36.7	26.9	0.7	(5.1)	22.5	59.2
Corporate Services	45.1	(8.3)	1.1	(6.2)	(13.4)	31.7
Net cost of services	167.1	20.3	3.1	(15.5)	7.9	175.0
Other income and expenditure	(193.2)	(38.5)	6.2	33.0	0.7	(192.5)
Total (surplus) / deficit	(26.1)	(18.2)	9.3	17.5	8.6	(17.5)
Opening general fund balance as at 1 April 2020	(88.6)					
(Surplus) / deficit on general fund	(26.1)					
Closing general fund balance as at 31 March 2021	(114.7)					

Comparative EFA 2019/20

2019/20	Adjustments between the funding and accounting basis					Net Expenditure in CIES
	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (1)	Net change for pension adjustments	Other adjustments (2)	Total	
	£m	£m	£m	£m	£m	£m
Adults and Communities	51.9	1.1	1.1	(1.0)	1.2	53.1
Children and Families	32.3	3.7	1.5	(0.3)	4.9	37.2
Economy and Place	29.5	13.9	1.5	(7.5)	7.9	37.4
Corporate Services	36.8	(2.8)	(4.1)	4.4	(2.5)	34.3
Net cost of services	150.5	15.9	-	(4.4)	11.5	162.0
Other income and expenditure	(163.6)	(22.4)	6.4	5.5	(10.5)	(174.1)
Total (surplus) or deficit	(13.1)	(6.5)	6.4	1.1	(1.0)	(12.1)
Opening general fund balance as at 1 April 2019	(75.5)					
(Surplus)/deficit on general fund	(13.1)					
Closing general fund balance as at 31 March 2020	(88.6)					

Note (1) to EFA Adjustments between the funding and accounting basis for capital purposes

2020/21	De-capitalisation	Depreciation	REFCUS	MRP	RCCO	Loss on disposals	Revaluations	Finance lease	Capital grants	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adults and Communities	-	0.1	0.2	-	-	-	-	-	-	0.3
Children and Families	-	3.4	-	-	-	-	(2.0)	-	-	1.4
Economy and Place	-	10.5	0.2	-	-	-	16.2	-	-	26.9
Corporate Services	-	1.7	-	(9.7)	-	-	(0.3)	-	-	(8.3)
Net cost of services	-	15.7	0.4	(9.7)	-	-	13.9	-	-	20.3
Other operating expenditure	10.9	-	-	-	(0.4)	1.2	(7.5)	(0.3)	(42.4)	(38.5)
Total	10.9	15.7	0.4	(9.7)	(0.4)	1.2	6.4	(0.3)	(42.4)	(18.2)

Comparative Note (1) to EFA Adjustments between the funding and accounting basis for capital purposes

2019/20	Depreciation	REFCUS	MRP	RCCO	Loss on disposals	Revaluations	Capital grants	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adults and Communities	0.1	0.8	-	-	-	0.2	-	1.1
Children and Families	3.5	-	-	-	-	0.2	-	3.7
Economy and Place	12.5	0.5	-	-	-	0.9	-	13.9
Corporate Services	1.6	-	(5.7)	-	-	1.3	-	(2.8)
Net cost of services	17.7	1.3	(5.7)	-	-	2.6	-	15.9
Other operating expenditure	-	-	-	(0.4)	1.3	-	(23.3)	(22.4)
Total	17.7	1.3	(5.7)	(0.4)	1.3	2.6	(23.3)	(6.5)

Note (2) to EFA Adjustments between the funding and accounting basis for other purposes

2019/20					2020/21			
Total £m	PFI £m	Other £m	Collection fund £m		Recharges & movements £m	Collection Fund £m	PFI £m	Total £m
(1.0)	(1.1)	0.1	-	Adults and Communities	(0.1)	-	(1.0)	(1.1)
(0.3)	(1.8)	0.2	1.3	Children and Families	(1.3)	-	(1.8)	(3.1)
(7.5)	(3.7)	(0.2)	(3.6)	Economy and Place	(1.3)	-	(3.8)	(5.1)
4.4	-	0.9	3.5	Corporate Services	(6.2)	-	-	(6.2)
(4.4)	(6.6)	1.0	1.2	Net cost of services	(8.9)	-	(6.6)	(15.5)
5.5	-	(1.2)	6.7	Other operating expenditure	9.4	17.0	6.6	33.0
1.1	(6.6)	(0.2)	7.9	Total	0.5	17.0	-	17.5

Material Items of Income and Expense

There were no material items of income and expense included the Comprehensive Income and Expenditure Account for 2020/21.

Events after the Balance Sheet Date

The draft unaudited Statement of Accounts was authorised for issue on 30 July 2021 by the Section 151 Officer.

Full Council received a report on 27 April 2021 following a high court judgement relating to children and families published on 16 April 2021. At the same meeting it was agreed that £5.2m of reserve funding would be made available to support service delivery improvements. A non-statutory Improvement Notice from the Department for Education is expected and an Improvement Board will ensure we address the key priorities and issues identified, to deliver a sustainable and improved children's services department.

3. Movement in Usable Reserves Analysis

2020/21 Movements	General Fund Revenue £m	Earmarked Reserves £m	Revenue Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m
Opening balance	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)
(Surplus)/deficit on provision of services	(17.5)	-	(17.5)	-	-	(17.5)
Depreciation	(15.8)	-	(15.8)	-	-	(15.8)
Decapitalisation of assets	(10.9)	-	(10.9)	-	-	(10.9)
Impairment / downwards revaluation	(6.5)	-	(6.5)	-	-	(6.5)
Net revenue expenditure funded by capital under statute	(0.4)	-	(0.4)	-	-	(0.4)
Net book value of assets sold	(2.3)	-	(2.3)	-	-	(2.3)
Capital receipts from assets sold	1.1	-	1.1	(1.1)	-	-
Adjustments for Council Tax and NDR Receivable	(17.0)	-	(17.0)	-	-	(17.0)
Capital Financed by Receipts	-	-	-	0.7	-	0.7
Revenue Contribution to Capital Outlay	0.4	-	0.4	-	-	0.4
Minimum Revenue Provision (MRP)	9.7	-	9.7	-	-	9.7
Short term leave adjustment	(0.5)	-	(0.5)	-	-	(0.5)
Reversal of IAS19 Pension Charges	(9.3)	-	(9.3)	-	-	(9.3)
Reverse finance lease liability	0.3	-	0.3	-	-	0.3
Capital grants unapplied	9.3	-	9.3	-	(9.3)	-
Capital Financed by Grants and Contributions	33.3	-	33.3	-	3.6	36.9
Transfer to/from reserves	26.1	(26.1)	-	-	-	-
Total movement	-	(26.1)	(26.1)	(0.4)	(5.7)	(32.2)
Closing balance	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)

Movement in Usable Reserves 2019/20 Comparative Movements

Comparative 2019/20 Movements	General Fund Revenue	Earmarked reserves	Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£m	£m	£m	£m	£m	£m
Opening balance	(8.5)	(67.0)	(75.5)	(41.5)	(4.4)	(121.4)
(Surplus)/deficit on provision of services	(12.1)	-	(12.1)	-	-	(12.1)
Depreciation	(17.7)	-	(17.7)	-	-	(17.7)
Impairment / downwards revaluation	(2.6)	-	(2.6)	-	-	(2.6)
Net revenue expenditure funded by capital under statute	(1.3)	-	(1.3)	-	-	(1.3)
Net book value of assets sold	(7.0)	-	(7.0)	-	-	(7.0)
Capital receipts from assets sold	5.6	-	5.6	(5.6)	-	-
Adjustments for Council Tax and NDR Receivable	2.5	-	2.5	-	-	2.5
Capital Financed by Receipts	-	-	-	2.9	-	2.9
Revenue Contribution to Capital Outlay	0.3	-	0.3	-	-	0.3
Minimum Revenue Provision (MRP)	8.4	-	8.4	-	-	8.4
Short term leave adjustment	(0.4)	-	(0.4)	-	-	(0.4)
Reversal of IAS19 Pension Charges	(12.0)	-	(12.0)	-	-	(12.0)
Capital grants unapplied	7.1	-	7.1	-	(7.1)	-
Capital Financed by Grants and Contributions	16.1	-	16.1	-	2.8	18.9
Transfer to/from reserves	12.5	(12.5)	-	-	-	-
Total movement	(0.6)	(12.5)	(13.1)	(2.7)	(4.3)	(20.1)
Closing balance	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)

4. Movement in Unusable Reserves Analysis

2020/21 Movements	Short Term Absences Account £m	Capital Adjustment Account £m	Collection Fund Adjustment Account £m	Financial Instruments Adjustment Account £m	Pensions Reserve £m	Revaluation Reserve £m	Total Unusable Reserves £m
Opening balance	2.9	(272.0)	(3.4)	0.4	260.2	(122.5)	(134.4)
Depreciation	-	15.8	-	-	-	-	15.8
Revaluations and Impairments	-	6.5	-	-	-	-	6.5
Decapitalisation of assets	-	10.9	-	-	-	-	10.9
Net revenue expenditure funded by capital under statute	-	0.4	-	-	-	-	0.4
Net book value of assets sold	-	1.7	-	-	-	0.6	2.3
Adjustments for Council tax and NDR receivable	-	-	17.0	-	-	-	17.0
Capital Financed by Receipts	-	(0.7)	-	-	-	-	(0.7)
Provision for the Redemption of Debt	-	(9.7)	-	-	-	-	(9.7)
Revenue Contribution to Capital Outlay	-	(0.4)	-	-	-	-	(0.4)
Reversal of IAS 19 Pensions Charges	-	-	-	-	9.3	-	9.3
Net movement on Revaluation Reserve	-	-	-	-	-	(15.7)	(15.7)
Short term leave adjustment	0.5	-	-	-	-	-	0.5
Actuarial Gain/Loss on Pensions	-	-	-	-	13.0	-	13.0
Capital Financed by Grants and Contributions	-	(36.9)	-	-	-	-	(36.9)
Reverse finance lease liability	-	(0.3)	-	-	-	-	(0.3)
Depreciation Revaluation Adjustment	-	(3.9)	-	-	-	3.9	-
Total movement	0.5	(16.5)	17.0	-	22.2	(11.2)	12.0
Total Reserves	3.4	(288.5)	13.6	0.4	282.4	(133.7)	(122.4)

Movement in unusable reserves analysis 2019/20 comparative movements

2019/20 comparative Movements	Short Term Absences Account	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves
	£m	£m	£m	£m	£m	£m	£m
Opening balance	2.5	(266.2)	(0.9)	0.4	269.1	(117.1)	(112.2)
Depreciation	-	17.7	-	-	-	-	17.7
Revaluations and Impairments	-	2.6	-	-	-	-	2.6
Net revenue expenditure funded by capital under statute	-	1.2	-	-	-	-	1.2
Net book value of assets sold	-	4.7	-	-	-	2.2	6.9
Adjustments for Council tax and NDR receivable	-	-	(2.5)	-	-	-	(2.5)
Capital Financed by Receipts	-	(2.9)	-	-	-	-	(2.9)
Provision for the Redemption of Debt	-	(8.3)	-	-	-	-	(8.3)
Revenue Contribution to Capital Outlay	-	(0.3)	-	-	-	-	(0.3)
Reversal of IAS 19 Pensions Charges	-	-	-	-	12.0	-	12.0
Net movement on Revaluation Reserve	-	-	-	-	-	(9.2)	(9.2)
Short term leave adjustment	0.4	-	-	-	-	-	0.4
Actuarial Gain/Loss on Pensions	-	-	-	-	(20.9)	-	(20.9)
Capital Financed by Grants and Contributions	-	(18.9)	-	-	-	-	(18.9)
Depreciation Revaluation Adjustment	-	(1.6)	-	-	-	1.6	-
Total movement	0.4	(5.8)	(2.5)	-	(8.9)	(5.4)	(22.2)
Total Reserves	2.9	(272.0)	(3.4)	0.4	260.2	(122.5)	(135.9)

5. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the General Fund in 2020/21.

Reserve	01/04/20 £m	Transfer out £m	Transfer in £m	31/03/21 £m
Financial Resilience	(14.3)	4.1	(4.2)	(14.4)
Business Rates Smoothing	(9.2)	-	-	(9.2)
School Balances	(8.8)	0.7	(2.3)	(10.4)
Waste Disposal	(8.5)	2.5	(2.4)	(8.4)
Settlement Monies	(5.0)	1.7	-	(3.3)
Risk Mitigation	(3.3)	0.4	-	(2.9)
Technology Enabled Communities	(1.5)	-	(0.5)	(2.0)
Additional Pension Costs from McCloud	(1.5)	0.2	(1.2)	(2.5)
Whitecross School PFI	(1.4)	-	(0.2)	(1.6)
Severe Weather Fund	(0.9)	0.2	(0.4)	(1.1)
Adult Social Care Integration	-	-	(1.6)	(1.6)
Children's Improvement Proposals	-	-	(5.2)	(5.2)
ICT	(0.5)	-	-	(0.5)
Learning Disability	-	-	(1.1)	(1.1)
Recovery and Invest Fund	-	-	(0.5)	(0.5)
Remedial Road Works	(0.5)	0.4	-	(0.1)
Social Care Contingency	(0.5)	0.5	-	-
Sparsity Reserve	(0.4)	0.4	-	-
Other small reserves	(6.9)	6.9	(8.6)	(8.6)
Unused grants carried forward	(16.3)	9.6	(25.5)	(32.2)
Total	(79.5)	27.6	(53.7)	(105.6)

The note above incorporates the recommendations from the annual review of the earmarked reserves reported to Cabinet in October 2019. The next review was completed in September 2021.

6. Nature of Expenses Disclosure

An analysis of the authority's expenditure and income included in the Comprehensive Income and Expenditure Account is as follows;

2019/20		2020/21
£m		£m
	Income	
(55.6)	Fees, charges and other service income	(43.1)
(2.4)	Trading and investment income	(3.2)
(3.5)	Interest and investment income	(3.2)
(143.2)	Income from council tax and non-domestic rates	(132.7)
(197.4)	Government grants and contributions	(266.0)
(402.1)	Total Income	(448.2)
	Expenditure	
118.3	Employee benefits expenses	121.2
218.1	Other service expenses	237.7
5.1	Support service recharges (net)	5.7
1.3	Loss on disposal of non-current assets	1.2
26.7	REFCUS, depreciation, amortisation and impairment	36.9
0.2	Trading and investment expenditure	8.1
15.5	Interest Expenditure	14.8
4.8	Precepts and levies	5.1
390.0	Total Expenditure	430.7
(12.1)	(Surplus) or Deficit on the Provision of Services	(17.5)

Following the reporting requirements stipulated by the Code on accounting for schools, the local authority single entity financial statements include an analysis of the income and expenditure of the authority's maintained schools as if it were the expenditure of the authority. Voluntary Aided (VA) and Trust school employees are not the employees of the authority but, as indicated above, are required to be consolidated into the single entity financial statements of the local authority (i.e. as employee expenditure). The total of employee expenses in respect of VA and Trust schools was £17.8m in 2020/21 (£17.5m in 2019/20)

7. Other Operating Expenditure

2019/20		2020/21
£m		£m
4.6	Parish Council precepts	4.9
0.2	Levies	0.2
1.3	(Gains)/losses on the disposal of non-current assets	1.2
6.1	Total	6.3

8. Financing and Investment Income and Expenditure

2019/20		2020/21
£m		£m
9.1	Interest payable and similar charges	8.6
6.4	Pensions net interest and admin charge	6.2
(3.3)	Interest receivable	(2.9)
(2.2)	Income and expenditure in relation to trading accounts/investment properties and changes to their fair value, note 22	4.9
(0.2)	Other investment income	(0.3)
9.8	Total	16.5

9. Taxation and Non Specific Grant Income

2019/20		2020/21
£m		£m
(110.1)	Council tax income	(114.2)
(33.1)	Non domestic rates	(18.5)
(22.0)	Non-ring fenced government grants	(42.4)
(23.3)	Capital grants and contribution	(42.5)
0	Capital Grants Repaid	2.3
(188.5)	Total	(215.3)

The substantial decrease in non domestic rates income reflects the extended reliefs granted by central government in response to Covid-19. These extra reliefs were funded by central government grant, this and other Covid-19 related grant funding is included in non ring fenced government grants. The increase in capital grants reflects increased funding for infrastructure investment during 2020/21.

10. Property, Plant and Equipment

Cost 2020/21	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets Under Construction & WIP	Sub total	Investment Assets	Intangibles & Other Assets	Heritage Assets	Assets Held for Sale	Total Property, Plant & Equipment	PFI assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2020	344.7	6.9	357.6	8.1	4.9	5.0	727.2	33.8	0.2	3.2	3.3	767.7	42.0
Additions	9.3	1.5	23.8	-	-	2.7	37.3	9.7	0.1	-	-	47.1	0.4
Disposals	-	-	-	-	-	-	-	(0.5)	-	-	(1.8)	(2.3)	-
Revaluation	12.6	-	-	-	(0.2)	-	12.4	(7.2)	-	-	0.2	5.4	(3.4)
Reverse Acc dep'n	(10.4)	-	(0.4)	-	-	-	(10.8)	-	-	-	-	(10.8)	(2.5)
Asset Transfers	14.6	-	(0.8)	(6.5)	(0.7)	(7.7)	(1.1)	2.9	-	-	(1.7)	0.1	-
Other movements	-	(0.2)	(10.9)	-	-	-	(11.1)	-	(0.1)	-	-	(11.2)	-
At 31 March 2021	370.8	8.2	369.3	1.6	4.0	-	753.9	38.7	0.2	3.2	-	796.0	36.5
Depreciation/ amortisation													
Opening balance at 1 April 2020	(5.4)	(3.6)	(91.5)	-	-	-	(100.5)	-	(0.1)	-	-	(100.6)	(1.6)
Charge for the year	(5.4)	(1.5)	(8.9)	-	-	-	(15.8)	-	-	-	-	(15.8)	(1.0)
Reverse Acc dep'n	10.4	-	-	-	-	-	10.4	-	-	-	-	10.4	2.5
Other movements	-	0.2	0.4	-	-	-	0.6	-	0.1	-	-	0.7	-
At 31 March 2021	(0.4)	(4.9)	(100.0)	-	-	-	(105.3)	-	-	-	-	(105.3)	(0.1)
Carrying amount at March 2021	370.4	3.3	269.3	1.6	4.0	-	648.6	38.7	0.2	3.2	-	690.7	36.4
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening carrying amount at 1 April 2020	339.3	3.3	266.1	8.1	4.9	5.0	626.7	33.8	0.1	3.2	3.3	667.1	40.4

Cost 2019/20	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets Under Construction & WIP	Sub total	Investment Assets	Intangibles	Heritage Assets	Assets Held for Sale	Total Property, Plant & Equipment	PFI assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2019	338.8	9.2	340.8	8.1	3.9	0.6	701.4	34.2	0.1	3.2	5.8	744.7	44.3
Additions	5.0	1.3	16.8	-	0.1	4.4	27.6	1.3	0.1	-	-	29.0	0.3
Disposals	(1.3)	-	-	-	-	-	(1.3)	(1.6)	-	-	(4.1)	(7.0)	-
Revaluation	5.2	-	-	-	0.7	-	5.9	-	-	-	0.7	6.6	0.9
Reverse Acc dep'n	(2.1)	(3.6)	-	-	-	-	(5.7)	-	-	-	-	(5.7)	(3.5)
Asset Transfers	(1.0)	-	-	-	0.2	-	(0.8)	(0.1)	-	-	0.9	-	-
At 31 March 2020	344.6	6.9	357.6	8.1	4.9	5.0	727.1	33.8	0.2	3.2	3.3	767.6	42.0
Depreciation/ Amortisation													
Opening balance at 1 April 2019	(1.9)	(5.9)	(80.7)	-	-	-	(88.5)	-	(0.1)	-	-	(88.6)	(4.2)
Charge for the year	(5.6)	(1.3)	(10.8)	-	-	-	(17.7)	-	-	-	-	(17.7)	(1.0)
Reverse Acc dep'n	2.1	3.6	-	-	-	-	5.7	-	-	-	-	5.7	3.5
At 31 March 2020	(5.4)	(3.6)	(91.5)	-	-	-	(100.5)	-	(0.1)	-	-	(100.6)	(1.7)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount at March 2020	339.2	3.3	266.1	8.1	4.9	5.0	626.6	33.8	0.1	3.2	3.3	667.0	40.3
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening carrying amount at 1 April 2019	336.9	3.3	260.1	8.1	3.9	0.6	612.9	34.2	-	3.2	5.8	656.1	40.1

Depreciation

Depreciation is provided for on a straight line basis over an asset's economic useful life. Where assets' lives are not known, they are estimated as follows:

- Buildings - estimated useful life up to 100 years
- Vehicles, plant, furniture and equipment - 5 years
- Infrastructure - 15 to 50 years

Analysis of Capital Charges to Directorates

Capital charges included in the Comprehensive Income and Expenditure Statement relating to tangible property, plant and equipment are analysed by directorate below.

	Depreciation £m	Decapitalisation of assets £m	Revaluations £m	Total 2020/21 £m
Adults and Communities	0.1	-	-	0.1
Children and Families	3.3	-	(2.0)	1.3
Economy and Place	10.6	10.9	5.3	26.8
Corporate and Central Services	1.8	-	(0.3)	1.5
Total	15.8	10.9	3.0	29.7

Capital Commitments

At 31 March 2021 the council had a £2.3m commitment with John Kyrle High School (academy) to complete the New Permanent Accommodation project (31 March 2020 £2m Hereford Enterprise Shell Store project).

Revaluations

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. More frequent valuations are carried out if the rolling programme is insufficient to keep pace with material changes in value. Wilks, Head and Eve LLP completed all reported valuations in 2020/21. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation as set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicle, plant and equipment are based on depreciated costs as a proxy for fair value.

The carrying amount of assets on the rolling programme held at 31 March 2021 total £488.4m. The effective date of the revaluations are as follows:

Valued as at:	Carrying amount of revalued assets £m
31 March 2021	379.1
31 March 2020	109.3
Total	488.4

Impact of Covid-19 – contained material valuation uncertainty

The Covid-19 pandemic created a large uncertainty in financial markets and the market for other assets. The Royal Institute of Chartered Surveyors subsequently issued guidance identifying that all valuations will have a material valuation uncertainty as at 31 March 2020. As at 31 March 2021 this material valuation uncertainty was contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base critical judgements.

Schools

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.

Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. It comprises the trading areas of markets, industrial estates and retail. The direct operating expenses exclude recharged support services, capital charges and changes in the fair value of the assets.

2019/20 £m		2020/21 £m
(2.3)	Rental income from investment property	(3.2)
0.2	Direct operating expenses arising from investment property	0.9
(2.1)	Total	(2.3)

Details of the council's investment properties and information about the fair value hierarchy as at March 2021 and March 2020 are as follows (fair value method disclosed in accounting policies note 1):

Recurring fair value measurements using:	Other significant observable inputs
	Level2 £m
Investment properties as at 31 March 2021	38.7
Investment properties as at 31 March 2020	33.8

11. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity. Amounts relating to statutory debts, such as council tax, non-domestic rates and general rates are not classed as financial instruments as they do not arise from contracts.

Categories of Financial Instruments:

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

Financial Assets

All the financial assets in the balance sheet which are financial instruments are classed as loans and receivables. Following the adoption of IFRS9 in 2018/19 the loans and receivables held are classified at amortised cost.

2019/20			2020/21	
Per Balance Sheet £m	Financial Instruments £m		Per Balance Sheet £m	Financial Instruments £m
		Long term debtors		
38.9	38.9	Loans	37.9	37.9
2.5	-	PFI lifecycle costs	2.4	-
41.4	38.9	Total	40.3	37.9
		Investments		
19.1	19.1	Short term investments	44.0	44.0
23.3	23.3	Cash and cash equivalents	22.9	22.9
42.4	42.4	Total	66.9	66.9
		Short term debtors		
32.5	32.5	Sales invoices and contractual rights	41.9	41.9
8.4	-	Statutory debts (council tax, VAT etc.)	19.0	-
1.5	-	Prepayments	1.7	-
(7.5)	-	Bad debt provisions	(10.4)	-
34.9	32.5	Total	52.2	41.9

Financial Liabilities

All the financial liabilities in the balance sheet which are financial instruments are classed as financial liabilities at amortised cost.

2019/20			2020/21	
Per Balance Sheet	Financial Instruments		Per Balance Sheet	Financial Instruments
£m	£m		£m	£m
8.8	8.8	Cash and cash equivalents	1.7	1.7
8.8	8.8	Total	1.7	1.7
		Short term borrowing		
0.1	0.1	Bank loans	0.1	0.1
4.3	4.3	Public Works Loan Board	3.2	3.2
4.4	4.4	Total	3.3	3.3
		Short term creditors		
17.1	17.1	Invoiced amounts and other contractual liabilities	28.7	28.7
9.1	-	Statutory liabilities (PAYE etc.)	9.8	-
17.3	2.9	Accruals and receipts in advance	37.5	3.4
0.2	-	Funds and deposits held	0.6	-
43.7	20.0	Total	76.6	32.1
		Long term borrowing		
12.4	12.4	Bank loans	12.4	12.4
114.8	114.8	Public Works Loan Board	112.4	112.4
127.2	127.2	Total	124.8	124.8
		Other long term liabilities		
50.7	50.7	PFI liabilities and finance leases	47.5	47.5
260.2	-	Pensions liability	282.3	-
310.9	50.7	Total	329.8	47.5

Income, Expense, Gains and Losses

The following amounts relating to financial instruments are included in the Comprehensive Income and Expenditure Statement

2019/20				2020/21		
Financial Liabilities at amortised cost	Financial assets: Loans and receivables	Total		Financial Liabilities at amortised cost	Financial assets: Loans and receivables	Total
£m	£m	£m	£m	£m	£m	
			Interest payable and similar charges			
			Interest expense relating to:			
5.4	-	5.4	Loans	5.2	-	
3.7	-	3.7	PFI liabilities	3.4	-	
9.1	-	9.1	Total expense in surplus on the provision of services	8.6	-	
			Interest receivable:			
-	(3.3)	(3.3)	On loans	-	(2.4)	
-	(3.3)	(3.3)	Total income in surplus on the provision of services	-	(2.4)	
9.1	(3.3)	5.8	Net loss/(gain) for the year	8.6	(2.4)	

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value is determined depending on whether an active market exists. If an active market exists then the fair value is obtained from reference to published price quotations. Where no active market exists a valuation technique is used. The fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values of PWLB loans have been calculated based on new loan rates at the year end
- The fair values of the bank loans have been assessed using the market cost of equivalent loans with the same remaining periods to maturity
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the council's borrowing (which is carried at amortised cost in the Balance Sheet) is as follows:

31 March 2020				31 March 2021		
Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m		Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m
131.6	212.0	161.4	Total borrowing	128.1	190.7	166.2

The fair value is higher than the carrying amount 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. None of the council's investments are for a period exceeding 364 days and so the fair value of investments will not be significantly different to the carrying amount.

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. The total PFI carrying amount is £47.5m and the fair value as at 31 March 2021 totals £64.3m. The statements have not been adjusted for this as the PFI schemes are set to continue until expiry.

31 March 2020				31 March 2021		
Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m		Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m
			Financial Assets			
41.4	41.4	41.4	Long term debtors	40.3	40.3	40.3
19.1	19.1	19.1	Short term investments	44.0	44.0	44.0
23.3	23.3	23.3	Cash and cash equivalents	22.9	22.9	22.9
34.9	34.9	34.9	Short term debtors	52.2	52.2	52.2
118.7	118.7	118.7	Total Financial Assets	159.4	159.4	159.4
			Financial Liabilities			
119.1	185.4	143.9	Public Works Loan Board	115.6	167.8	147.3
12.6	26.6	17.5	Bank loans (LOBOs)	12.6	22.9	18.9
49.4	49.4	49.4	Short term creditors	76.6	76.6	76.6
50.7	67.3	67.3	PFI liabilities and finance leases	47.5	64.3	64.3
231.8	328.7	278.1	Total Financial Liabilities	252.3	331.6	307.1

31 March 2020 £m	Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021 £m
	Assets			
34.4	Long term debtors - Mercia Waste Management Loan	2	Discount contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing	32.9
4.5	Long term debtor - Other	3	Valued at amortised cost due to absence of comparable evidence or principal market	5.0
2.5	PFI lifecycle costs	2	Discount contractual cash flows of the remaining term	2.4
41.4	Subtotal long-term debtors			40.3
77.3	Other – short term	N/A	Fair value disclosure is not required for short term investments, short-term debtors or cash	119.1
118.7	Total Assets			159.4
	Liabilities			
143.9	PWLB and other debt	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	147.3
17.5	Bank loans (LOBOs)	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term and add the value of the lenders' option from a market option pricing model	18.9
67.3	PFI Scheme Liabilities and Finance Lease Payables	2	Discount contractual cash flows of the remaining term	64.3
49.4	Other including Short Term Loans	N/A	Fair value disclosure is not required for short term liabilities that are held on the balance sheet at amortised cost	76.6
278.1	Total Liabilities			307.1

Where the carrying amount is the same as the fair value the figures reported are not based on valuation due to being not significantly different.

Amounts arising from expected credit losses

The councils investments exposure to credit losses has been assessed as negligible therefore no allowance for credit losses has been made.

12. Debtors

31 March 2020		31 March 2021
£m		£m
10.7	Central government bodies	22.0
1.4	Other local authorities	3.0
1.2	NHS bodies	4.0
12.7	Other entities and individuals	23.2
8.9	Agency BEIS Business Support Grants	-
34.9	Total	52.2

13 Cash and Cash Equivalents

31 March 2020		31 March 2021
£m		£m
4.3	Cash held by the council	5.3
19.0	Short term deposits	17.6
23.3	Total	22.9
(8.8)	Bank current accounts	(1.7)
14.5	Total Cash and Cash Equivalents	21.2

14. The cash flows for operating activities include the following adjustment for non- cash movements

2019/20		2020/21
£m		£m
0.1	Net movement in Inventories	-
8.8	Net movement in Debtors	16.1
(3.2)	Net movement in Creditors	(32.9)
(17.7)	Depreciation, amortisation and impairment of non-current assets	(37.0)
(6.9)	Net Gain/Loss on sale of non-current assets (net book value of assets)	(2.3)
(12.0)	Net charges made for retirement benefits in accordance with IAS19	(9.2)
(0.4)	Net movement in Provisions	(1.3)
(31.3)	Total	(66.6)

15. Adjustment for investing and financing activities included in the net surplus on provision of services:

2019/20 £m		2020/21 £m
5.6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.1
5.6	Total	1.1

16. Investing Activities

2019/20 £m		2020/21 £m
28.8	Purchase of property, plant and equipment, investment property and intangible assets	47.1
(5.6)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.1)
1.1	Other receipts from investing activities	23.5
24.3	Total	69.5

17. Financing Activities

2019/20 £m		2020/21 £m
2.6	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	3.3
7.2	Repayments of short and long term borrowing, as shown below	3.5
9.8	Total	6.8

Reconciliation of liabilities arising from financing activities

	Long term borrowings	Short term borrowings	Total
1 April 2020	130.3	-	130.3
Cashflows: Repayment, note 17 above	(3.5)	-	(3.5)
31 March 2021	126.8	-	126.8

18. Creditors

31 March 2020 £m		31 March 2021 £m
(17.0)	Central government bodies	(24.8)
(2.2)	Other local authorities	(2.4)
(1.1)	NHS Bodies	(1.2)
(23.4)	Other entities and individuals	(33.6)
-	Monies due to agency NMiTE	(2.0)
-	Agency BEIS Business Support Grants	(12.6)
(43.7)	Total	(76.6)

19. Capital Grants Receipts in Advance

31 March 2020 £m		31 March 2021 £m
(1.0)	Central government bodies	(1.6)
-	Other local authorities	-
(7.2)	Other grants and contributions	(8.0)
(8.2)	Total	(9.6)

20. Provisions

The movement on provisions from 1 April 2020 to 31 March 2021 is set out below:

	Long term £m	Short term £m	Total £m
Balance at 1 April 2019	(4.7)	(1.7)	(6.4)
Additional provisions made in 2019/20	-	(0.9)	(0.9)
Amounts used in 2019/20	-	0.2	0.2
Unused amounts reversed in 2019/20	0.3	-	0.3
Balance at 31 March 2020	(4.4)	(2.4)	(6.8)
Additional provisions made in 2020/21		(2.3)	(2.3)
Amounts used in 2020/21		1.0	1.0
Unused amounts reversed in 2020/21	-	-	-
Balance at 31 March 2021	(4.4)	(3.7)	(8.1)

The provisions held at 31 March 2021 are:

31/03/20 £m	Provision Name	Description	Additional Provisions £m	Amounts Used £m	Unused Amounts Reversed £m	31/03/21 £m
(2.0)	Insurance	For potential future insurance claims based on external professional assessment			-	(2.0)
(0.2)	ECC Property Provision	Corporate property provisions	(1.1)	0.2	-	(1.1)
(0.4)	Provisions for children's services	Expected payments relating to children for schools, high needs and early years funding	-	0.3	-	(0.1)
(4.2)	NNDR Appeals	For future lodged and unlogged appeals against rating valuations.	(1.2)	0.5	-	(4.9)
(6.8)		Total	(2.3)	1.0	-	(8.1)

21. 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 shown below 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 (what is known as the McCloud case).

2019/20		2020/21
£m		£m
269.1	Balance at 1 April	260.2
(20.9)	Re-measurement of the net defined benefit liability	13.0
27.5	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	23.1
(15.5)	Employer's pension contributions and direct payments to pensioners payable in the year	(13.9)
260.2	Balance at 31 March	282.4
259.5	Local Government pension scheme	281.7
0.7	Teachers	0.7
260.2	Balance at 31 March	282.4

22. Trading Operations

The council has a number of trading units where the service manager is required to operate in a commercial environment and generate income from external customers.

2019/20 £m		2020/21 £m
	Markets The council generates income from letting of premises and market stalls	
(0.4)	Turnover	(0.4)
(0.3)	Asset revaluation movement	(0.5)
0.1	Expenditure	0.1
(0.6)	(Surplus)/deficit	(0.8)
	Industrial Estates The council owns and manages a number of industrial estates throughout the county	
(1.4)	Turnover	(1.4)
0.2	Asset revaluation movement	1.3
0.1	Expenditure	0.1
(1.1)	(Surplus)/deficit	-
	Retail Properties The council owns retail premises in Hereford city centre from which it receives commercial rents	
(0.5)	Turnover	(1.4)
-	Asset revaluation movement	6.4
-	Expenditure	0.7
(0.5)	(Surplus)/deficit	5.7
(2.2)	Total	4.9

The trading accounts are incorporated into the Comprehensive Income and Expenditure Statement as part of the line 'Financing, investment income and expenditure', note 8.

23. Agency Services

During 2020/21 the council continued to incur spend in relation to the Fastershire capital project to provide improved broadband speeds throughout the rural areas of Herefordshire, Gloucestershire, Shropshire and Telford and Wrekin. In 2020/21 spend included £2.2m (2019/20 £1.0m) outside of Herefordshire that is not shown in the council accounts as this spend is incurred under an agency arrangement.

During 2020/21 Herefordshire Council continued to act as an intermediary in the pass through of Department for Education grant funding towards the establishment of a new Hereford University – the New Model in Technology & Engineering (NMiTE). This totalled £4.8m (2019/20 £2.3m) and is not included in the council's accounts as the council is acting as an agent only. In addition the council acted as the accountable body for Local Enterprise Partnership grant funding and provided £3.7m to NMiTE from this funding source during 2020/21.

The council administered a number of support schemes in response to Covid-19 on behalf of Central Government. These transactions have been excluded from the Councils accounts. They are £49.5m small business support grants

and £23.6m national lockdown and local restrictions business grants, £0.1m test and trace isolation support payments, £3.7m in infection control grants and £0.5m in rapid testing grants.

During the year the Council received Sport England’s National Leisure Recovery Fund (NRLF) funding of £0.5m and passed this onto the council’s leisure provider, Halo Leisure Trust. The NRLF will help to drive the sustainability of leisure facilities nation-wide by enabling Sport England to assess and monitor the recovery of sports facilities. The detail submitted by local authorities, trusts and operators will also help Sport England and Government to articulate what further support is needed to help protect the social value created by leisure facilities.

24. Pooled Budgets

The council has four pooled budgets for 2020/21: the pooled budget arrangement for the Better Care Fund, the pooled budget for services for children, the pooled budget for the Integrated Community Equipment Store and the pooled budget for the Covid-19 Hospital Discharge Scheme. All of the pooled budgets are covered by a single section 75 agreement.

Better Care Fund

The Better Care Fund (BCF) is a pooled budget which has been nationally mandated to further the integration of health and social care. Herefordshire’s BCF has two partners, Herefordshire Council and Herefordshire CCG.

In accordance with IFRS 10 it has been confirmed that neither partner has sole control. Using IFRS 11 definitions this arrangement is a joint operation. Herefordshire Council is the host partner.

The Department of Health sets national minimum contributions to the pool for both revenue and capital and specifies that certain funding streams must be included within the minimum fund. Partners are permitted, and encouraged, to pool more than the minimum requirement. The Better Care Fund in Herefordshire has five components as additional funds from each partner were included in the pool, as well as the Improved Better Care Fund.

Minimum Revenue Pool

The council expenditure in the minimum revenue pool relates to the council services previously supported by NHS funding for the protection of social care, including social work staff, support to carers and helping meet demographic pressures.

Better Care Fund- Minimum Mandatory Fund (Revenue)

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
-	Herefordshire Council	-
(12.9)	Herefordshire CCG	(13.6)
(12.9)	Total Funding	(13.6)
	Expenditure met from pooled budget	
4.5	Herefordshire Council	4.9
7.4	Herefordshire CCG	7.8
11.9	Total Expenditure	12.7
(1.0)	Net deficit / (surplus) on the pooled budget during the year	(0.9)
(1.0)	Herefordshire Council share of net deficit / (surplus)	(0.9)

Capital Pool

The capital pool contains expenditure on the disabled facilities grant, which enables people to continue to live at home.

Better Care Fund- Minimum Mandatory Fund (Capital)

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(2.0)	Herefordshire Council	(2.3)
-	Herefordshire CCG	-
(2.0)	Total Funding	(2.3)
	Expenditure met from pooled budget	
2.0	Herefordshire Council	2.3
-	Herefordshire CCG	-
2.0	Total Expenditure	2.3
-	Net deficit / (surplus) on the pooled budget during the year	-
-	Herefordshire Council share of net deficit / (surplus)	-

Additional Revenue Pool

The additional pool of expenditure groups, council and clinical commissioning group expenditure on residential, nursing and continuing health care placements within the county.

Better Care Fund- Additional Revenue Fund

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(24.9)	Herefordshire Council	(26.7)
(9.6)	Herefordshire CCG	(11.5)
(34.5)	Total Funding	(38.2)
	Expenditure met from pooled budget	
24.9	Herefordshire Council	23.7
10.8	Herefordshire CCG	11.4
35.7	Total Expenditure	35.1
1.2	Net deficit / (surplus) on the pooled budget during the year	(3.1)
-	Herefordshire Council share of net deficit / (surplus)	(3.0)

Improved Better Care Fund

The Government's Spending Review in 2015 announced new money for the BCF; and the Spring Budget 2017 subsequently increased this funding. 2017/18 represented the first year in which the new funding was received. The Government requires that this additional Improved Better Care Fund funding for adult social care is pooled into the local BCF.

The funding is paid directly to Local Authorities as a direct grant under Section 31 of the Local Government Act 2003 for adult social care and may be used only for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

Better Care Fund- Improved Better Care Fund

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(5.7)	Herefordshire Council	(6.6)
-	Herefordshire CCG	-
(5.7)	Total Funding	(6.6)
	Expenditure met from pooled budget	
5.5	Herefordshire Council	6.2
-	Herefordshire CCG	-
5.5	Total Expenditure	6.2
(0.2)	Net deficit / (surplus) on the pooled budget during the year	(0.4)
(0.2)	Herefordshire Council share of net deficit / (surplus)	(0.4)

Better Care Fund - Adult Social Care Winter Pressures Grant

For 2018/19 and 2019/20 grant funding to alleviate winter pressures was paid directly to Local Authorities as a direct grant under Section 31 of the Local Government Act 2003.

2019/20 grant conditions required the funding to be pooled into the local Better Care Fund; for 2020/21 the funding is included within the Improved Better Care Fund and not paid as a separate grant.

Better Care Fund- Winter Pressures Grant

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(0.9)	Herefordshire Council	-
-	Herefordshire CCG	-
(0.9)	Total Funding	-
	Expenditure met from pooled budget	
0.8	Herefordshire Council	-
-	Herefordshire CCG	-
0.8	Total Expenditure	-
(0.1)	Net deficit / (surplus) on the pooled budget during the year	-
(0.1)	Herefordshire Council share of net deficit / (surplus)	-

Children's Services

Herefordshire Council has entered into a pooled budget agreement with Herefordshire Clinical Commissioning Group to provide provision for children and young people with complex educational, social and medical needs. The agreement pools spending in agreed proportion. The pool comprises funding for the Joint Children's Commissioning Manger, joint funding of support for children with complex health, care, or educational needs and joint contributions for Children's safeguarding.

Children's Services

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(3.2)	Herefordshire Council	(4.6)
(0.6)	Herefordshire CCG	(0.9)
(3.8)	Total Funding	(5.5)
	Expenditure met from pooled budget	
4.8	Herefordshire Council	4.8
0.9	Herefordshire CCG	0.9
5.7	Total Expenditure	5.7
1.9	Net deficit / (surplus) on the pooled budget during the year	0.2
1.7	Herefordshire Council share of net deficit / (surplus)	0.2

Integrated Community Equipment Store

Herefordshire Council and Herefordshire Clinical Commissioning Group are required to provide an integrated service for provision of community equipment. Both partners have entered into a joint contract for provision of community equipment with an agreed split of the costs of equipment.

Integrated Community Equipment Store

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
(0.5)	Herefordshire Council	(0.7)
(0.8)	Herefordshire CCG	(0.8)
(1.3)	Total Funding	(1.5)
	Expenditure met from pooled budget	
0.5	Herefordshire Council	0.7
0.9	Herefordshire CCG	0.9
1.4	Total Expenditure	1.6
0.1	Net deficit / (surplus) on the pooled budget during the year	0.1
0.0	Herefordshire Council share of net deficit / (surplus)	0.0

Covid-19 Hospital Discharge Scheme

As part of the NHS and wider public sector's response to the global Covid-19 pandemic the Government issued the Covid-19 Hospital Discharge Service Requirements which took effect on March 19th 2020.

In accordance with the Discharge Requirements, the Partners have considered the most appropriate model through which to commission the enhanced discharge service and admissions avoidance services and agreed that the council shall act as the lead commissioner for enhanced discharge services and the Partners shall pool funding for the purpose of funding this service.

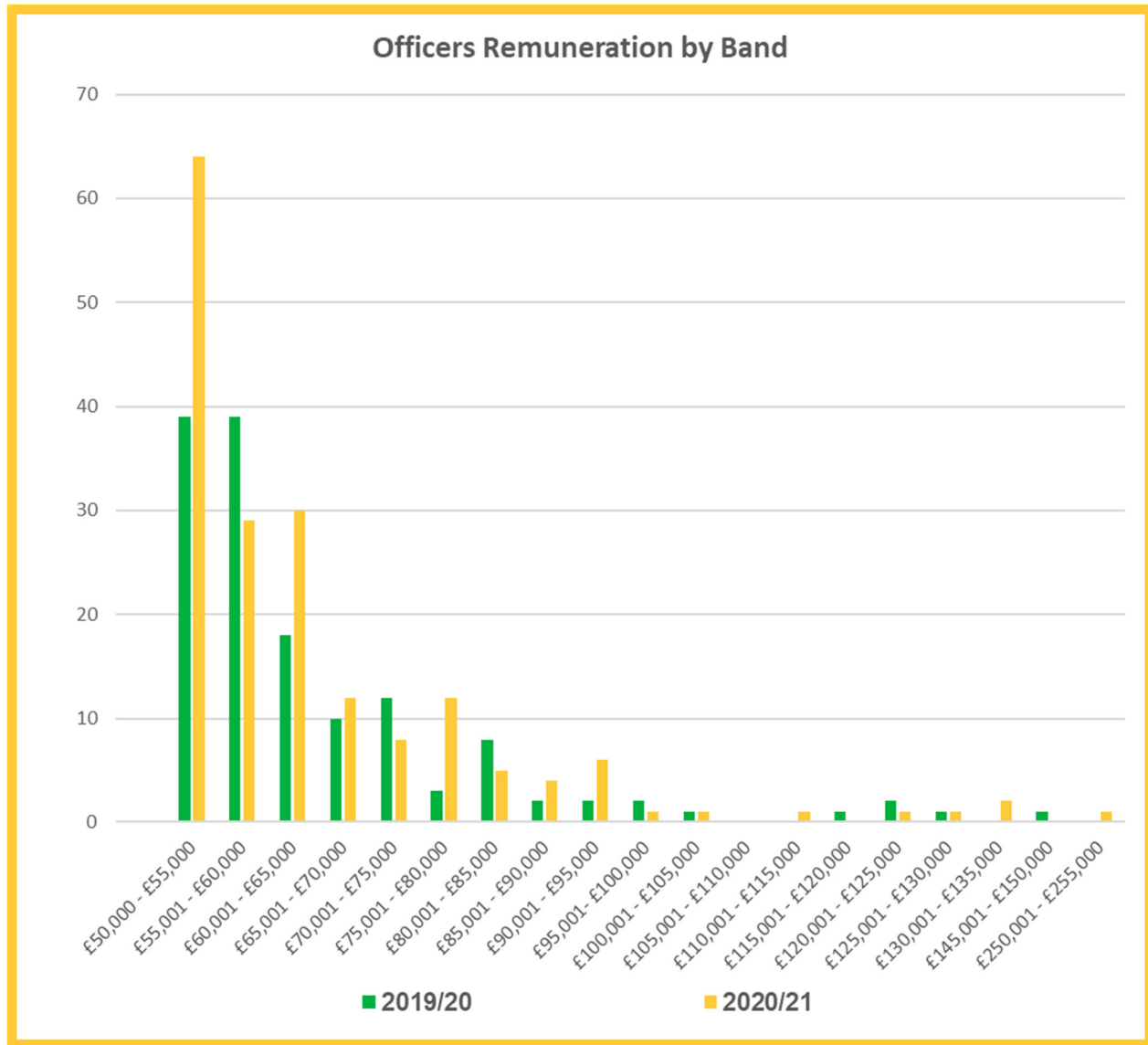
Covid-19 Hospital Discharge Scheme

2019/20 £m		2020/21 £m
	Funding provided to the pooled budget	
-	Herefordshire Council	(2.0)
-	Herefordshire CCG	(9.7)
-	Total Funding	(11.7)
	Expenditure met from pooled budget	
-	Herefordshire Council	2.0
-	Herefordshire CCG	9.7
-	Total Expenditure	11.7
-	Net deficit / (surplus) on the pooled budget during the year	-
-	Herefordshire Council share of net deficit / (surplus)	-

25. Officers' Remuneration

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.

The 2020/21 salary banding information is set out below. Employees receiving remuneration for the year (excluding employer's pension contributions) were paid the following amounts per pay band. These numbers include the employees shown in the senior employees disclosure note.



The total number of employees at 31 March 2021 was 1,359 non-school staff (1,290 at 31 March 2020) and 2,160 schools' staff (2,059 at 31 March 2020).

Post	Note	Salary, Fees & Allowances £000s	Compensation for loss of office / Benefits in kind £000s	Pension contributions £000s	Total £000s
Chief Executive - A Neill	2020/21	134	120	24	278
	2019/20	153	-	24	177
Director for Economy and Place – R Ball	2020/21	127	-	24	151
	2019/20	124	-	19	143
Director for Children and Families – C Baird	2020/21	128	-	23	151
	2019/20	126	-	20	146
Chief Finance Officer/ Section 151 Officer	2020/21	106	-	20	126
	2019/20	101	-	16	117
Director for Adults and Communities – S Vickers	2020/21	127	-	24	151
	2019/20	124	-	19	143
Solicitor for the Council (Monitoring Officer)	2020/21	126	-	10	136
	2019/20	77	-	12	89
Director of Public Health	2020/21	59	-	13	72
	2019/20	69	-	13	82
Acting Director of Public Health	2020/21	12	-	2	14
	2019/20	-	-	-	-

Notes:

1. The Chief Executive retired on 11 February 2021
2. In addition to their substantive roles, the Chief Finance Officer/Section 151 Officer and the Solicitor to the Council (Monitoring Officer) became Acting Deputy Chief Executives for the duration between the Chief Executive leaving (February 2021) and the new Chief Executive commencing in post (May 2021)
3. The Director for Public Health left on 31 December 2020, the role was paid a market forces supplement of £12,000
4. An Acting Director for Public Health was appointed effective from 25 November 2020

26. Termination Benefits

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 paid to the pension fund.

In addition, the total cost of actuarial strain relating to 2020/21 terminations was £0m (£0.1m in 2019/20). The total amount of actuarial strain paid to Worcestershire County Council in 2020/21 was £0m (£0.1m in 2019/20).

Exit package cost band (including special payments)	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
							£000s	£000s
£0 - £20,000	5	3	19	13	24	16	124	94

Exit package cost band (including special payments)	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
							£000s	£000s
£20,001 - £40,000	1	1	3	1	3	2	68	42
£40,001 - £60,000	-	-	1	-	1	-	53	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,0001 - £120,000	-	-	-	1	-	1	-	120
Total	6	4	23	15	28	19	245	256

27. External Audit Costs

The council incurred the following fees relating to external audit and includes £19k of non-statutory audit fees (£31k 2019/20)

2019/20		2020/21
£m		£m
0.1	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.1	Total	0.2

28. 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. 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. Details of the deployment of DSG receivable for 2020/21 are as follows:

Total 2019/20		Central Expenditure 2020/21	Individual Schools Budget 2020/21	Total 2020/21
£m		£m	£m	£m
126.1	Final DSG allocation before academy recoupment			132.7
(46.3)	Less academy figure recouped			(48.8)
79.8	Total DSG after academy recoupment for the year			83.9
2.5	Brought forward from previous year			1.1
(2.2)	Less carry forward to following year agreed in advance			(0.9)

Total 2019/20		Central Expenditure 2020/21	Individual Schools Budget 2020/21	Total 2020/21
£m		£m	£m	£m
80.1	Agreed budgeted distribution in the year	14.3	69.8	84.1
(13.2)	Less: Actual central expenditure	(14.6)	-	(14.6)
(68.0)	Less: Actual Individual Schools Budget deployed to schools	-	(69.7)	(69.7)
(1.1)	Less: Overspend 2019/20	(0.3)	0.1	(0.2)
1.1	Carried forward to following year			0.7

As at 31 March 2021 total DSG reserves were £0.7m which included £0.3m committed to early years for additional speech and language services and provider training.

29. Grant Income

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

2019/20		2020/21
£m		£m
	Credited to Taxation and Non Specific Grant Income	
0.6	Revenue Support Grant	0.6
21.4	Other non-ring fenced grants	41.8
110.1	Council Tax income	114.2
33.1	Business rates income	18.5
23.3	Capital grants	42.5
-	Capital Grants Repaid	(2.3)
188.5	Credited to Taxation and Non Specific Grant Income	215.3
	Credited to Services	
88.6	Department for Education	94.6
13.4	Ministry for Housing, Communities and Local Government	30.3
35.6	Department for Work and Pensions	34.0
0.7	Department for Transport	1.3
1.8	Department for Culture, Media and Sport	2.7
0.2	Department for Environment, Food and Rural Affairs	0.4
11.2	Department of Health	18.8
22.2	Other grants and contributions	18.7
173.7	Credited to Services	200.8
362.2	Total	416.1

30. Related Parties

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

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.

Members

Members of the Council have direct control over the council's financial and operating policies. There are a number of Councillors who serve on outside bodies and school governing bodies either as a representative of the council or as a private individual. Details of these interests are recorded in the Register of Members' interests, which are updated annually. An examination of the Register indicates that the council's financial transactions with these bodies in 2020/21 are not material.

Officers

A number of senior officers are members of professional bodies, governors at local schools and colleges, and are involved in local organisations and partnerships.

Other Public Bodies

During the year the council made payments of £29.9m to Worcestershire County Council (£30.7m in 2019/20), including payments to the pension fund and for the joint waste disposal contract. Payments to the CCG in 2020/21 totalled £2.7m (£3.0m in 2019/20). A total of £3.2m was paid to Wye Valley NHS Trust (£3.2m in 2019/20).

Significant long term contracts

The council awarded the public realm services contract to Balfour Beatty Living Places on 1 September 2013. The contracted services include highways maintenance and improvement, street lighting, traffic signals, street cleaning, parks and public rights of way, fleet maintenance and professional consultancy services. The council paid £38.3m to Balfour Beatty in 2020/21 (£29.6m in 2019/20).

FOCSA Services (UK) Limited

In 2009 the council entered into a 7 year contract with FOCSA for the collection of household, recycling and commercial waste, this has been extended by a further 7 years to end in 2023. The value of the contract over 7 years is around £30.5m. Payments to FOCSA Services (UK) Limited totalled £4.6m in 2020/21 (£4.5m in 2019/20).

Other organisations – West Mercia Energy

West Mercia Energy (WME) is a Purchasing Consortium which is constituted as a Joint Committee (JC). Herefordshire Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Telford and Wrekin Council and Shropshire Council.

Herefordshire Council has reviewed the accounting treatment that should be applied and has concluded that WME is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WME's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability an extract of the unaudited 2020/21 WME accounts are included below, along with a disclosure of this Council's proportion of those balances.

WEST MERCIA ENERGY EXTRACT FROM DRAFT ACCOUNTS AS AT 31 MARCH 2021		
	31-Mar-21	Herefordshire Council share
	£m	£m
Short term debtors	10.1	2.5
Cash and cash equivalents	2.2	0.6
Current assets	12.3	3.1
Short term creditors	(10.8)	(2.7)
Current liabilities	(10.8)	(2.7)
Net current assets	1.5	0.4
Other long term liabilities	(0.3)	(0.1)
Long term liabilities	(0.3)	(0.1)
Net liabilities	1.2	0.3
Financed by:		
General Fund	(6.1)	(1.5)
Result for year	7.6	1.9
Pensions reserve	(0.3)	(0.1)
Total reserves	1.2	0.3
INCOME		
Turnover	(60.6)	(1.4)

Subsidiary group undertaking

Hoople Limited is a company created in April 2011 to deliver business support services to clients across the public and private sector. During the review period Hoople Limited was wholly owned by Herefordshire Council and Wye Valley NHS Trust. Herefordshire Council is the majority shareholder and included in this statement of accounts is a statement of group accounts section that reports the performance of the group for 2020/21.

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets 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.

2019/20 £m		2020/21 £m
315.5	Opening capital financing requirement	316.0
	Capital investment	
27.3	Property, Plant and Equipment	37.3
0.1	Intangible	0.1
1.3	Investment Properties	9.7
6.4	Revenue expenditure funded from capital under statute	7.1
0.3	Assets acquired under PFI contracts	0.4
-	Long term debtors (including loans and PFI prepayments)	0.6
	Sources of finance	
(2.9)	Capital receipts	(0.7)
0.6	Loan repayment	0.6
(24.2)	Government grants and other contributions	(43.7)
	Sums set aside from revenue	
-	Direct revenue contributions	(0.4)
-	De-capitalised road costs	(3.7)
(8.4)	Minimum Revenue Provision (MRP)	(9.7)
316.0	Closing capital financing requirement	313.6
	Explanation of movements in year	
8.6	Increase in underlying need to borrow	10.6
0.3	Assets acquired under PFI contracts	0.4
-	De-capitalised road costs	(3.7)
(8.4)	Minimum Revenue Provision (MRP)	(9.7)
0.5	Adjusted to Services	(2.4)

32. Leases

Council as Lessee

Finance Leases

The council holds no finance lease, in 2019/20 the council held one finance lease arrangement.

Council as Lessor

Finance Leases

When a school changes status to become a Foundation School or an Academy the land and buildings are transferred

to the school by granting a lease for 125 years at a peppercorn rent. Other than these long leasehold transfers to schools, the council does not have any other finance leases where the council is lessor.

Operating Leases

The council leases out property under operating leases for the following purposes retail, industrial and other uses.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

	Amounts Payable						Amounts Receivable	
	Minimum Lease Payments		Finance Lease Liabilities		Operating Leases		Operating Leases	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£m	£m	£m	£m	£m	£m	£m	£m
Payable/receivable in the year	-	-	-	-	0.6	0.6	-	-
Not later than one year	-	-	-	-	0.4	0.4	2.8	2.0
Later than one year and not later than five years	-	0.1	-	-	1.3	1.4	8.2	6.5
Later than five years	-	1.6	-	0.3	1.5	1.8	23.4	35.8
Total due in future years	-	1.7	-	0.3	3.8	4.2	34.4	44.3

33. Private Finance Initiatives and Similar Contracts

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 £500m 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.

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 £195m and an uplift to the annual unitary charge for both councils of £2.7m.

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 £74m 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 £4.0m in 2020/21 (£4.0m in 2019/20).

Assets

The property, plant and equipment used to provide the PFI services are recognised on the council's balance sheet, with the exception of Whitecross School, which was written out of the balance sheet when it became an Academy in 2012/13. Movements in asset values over the year are summarised below.

	Land & Buildings	Equipment	Total
	£m	£m	£m
Balance at 1 April 2020	39.9	0.4	40.3
Additions	-	0.4	0.4
Revaluations	(3.4)	-	(3.4)
Depreciation	(1.0)	(0.1)	(1.1)
Balance at 31 March 2021	35.5	0.7	36.2

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:

2019/20		2020/21			
		Shaw Healthcare	Whitecross School	Waste Disposal	Total
Total £m		£m	£m	£m	£m
53.1	Balance outstanding at start of year	6.8	11.6	32.0	50.4
(2.7)	Payments during the year	(0.3)	(0.7)	(1.9)	(2.9)
0.0	Capital expenditure in the year	0.0	0.0	0.0	0.0
50.4	Balance outstanding at year end	6.5	10.9	30.1	47.5

Payments

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

	Service Charges	Lifecycle Costs	Finance Liability	Interest & Similar	Total
	£m	£m	£m	£m	£m
Within 1 year	10.8	0.3	3.2	3.4	17.7
Within 2 to 5 years	22.0	1.6	33.7	8.8	66.1
Within 6 to 10 years	25.2	2.2	8.4	5.3	41.1
Within 11 to 15 years	14.9	0.6	3.2	1.5	20.2
Within 16 to 20 years	0.0	0.0	0.0	0.0	0.0
Balance outstanding at year end	72.9	4.7	48.5	19.0	145.1

The PFI future year commitments total of £145.1m shown above includes inflation assumptions, without inflation the future year commitments would be £42.2m lower.

34. Capitalisation of Borrowing Costs

The council has a policy of capitalising borrowing costs on relevant projects i.e. where schemes last more than 12 months and with at least £10k of interest associated with the project. In 2020/21 no borrowing costs were capitalised (also none in 2019/20).

35. 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 2020/21 the council paid employer contributions of £7.0m (2019/20 £6.0m) in respect of teachers' pension costs. In addition, the council is responsible for all pension payments relating to added years it, or its predecessor authority has awarded, together with the related increases, this cost is £0.2m per annum. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.7m is included in the pension fund liability in the balance sheet in 2020/21 (£0.7m in 2019/20).

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

Employees are eligible to join the Local Government Pension Scheme 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.

Transactions Relating to Post-employment Benefits

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 via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme

2019/20 £m		2020/21 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
17.0	Current service cost	16.9
0.2	(Gain)/loss from settlements and curtailments	-
3.9	Past service cost	-
	Financing and Investment Income and Expenditure:	
6.2	Net interest expense	6.0
0.2	Administration expenses	0.2
27.5	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	23.1
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Actuarial (gains) and losses arising on changes in the following assumptions	
(11.2)	Experience (gain) / loss	(14.4)
(13.2)	(Gain) / loss on financial assumptions	106.6
(20.5)	(Gain) / loss on demographic assumptions	-
24.1	Re-measurements of assets	(79.3)
(20.8)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	12.9
	Movement in Reserves Statement	
12.0	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	9.3
	Amount charged to the General Fund balance for pensions in the year	
15.5	Employer's contribution payable to the scheme	13.9

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2021 (since the introduction of the statement in the 2009/10 restated accounts) is a loss of £108.4m.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefits plans is as follows

Local Government Pension Scheme

2019/20 £m		2020/21 £m
638.6	Present value of the defined benefit obligation	748.7
(379.2)	Fair value of plan assets	(467.0)
259.4	Net liability arising from defined benefit obligation	281.7

Reconciliation of the present value of the scheme liabilities (defined benefit obligation)

The table below shows the movement on the pension liability

2019/20 £m		2020/21 £m
661.8	Opening balance	638.6
17.0	Current Service Cost	16.9
3.9	Past Service Cost	-
15.7	Interest Cost	15.2
3.2	Contributions by Scheme Participants	3.4
	Re-measurement (gains) and losses	
(44.8)	Actuarial (gains)/losses arising from changes in assumptions	92.3
0.2	Losses/(gains) on curtailments	-
(18.4)	Benefits/transfers paid	(17.7)
638.6	Closing balance	748.7

Reconciliation of the Movements in the Fair Value of the Scheme Assets

The table below shows the movement on the pension assets

2019/20 £m		2020/21 £m
393.6	Opening fair value of scheme assets	379.2
9.5	Interest income	9.1
(24.1)	Re-measurement gain/(loss): the return on plan assets, excluding amount included in the net interest expense	79.3
(0.1)	Administration expenses	(0.2)
15.5	Contribution from employer	13.9
3.2	Contributions from employees into the scheme	3.4
(18.4)	Benefits/transfers paid	(17.7)
379.2	Closing fair value of scheme assets	467.0

The actual return on scheme assets in the year was £88.5m, 18.9% of the period end assets (2019/20 £18.4m, 4.9%).

Local Government Pension Scheme assets (at fair value) comprised

31 March 2020 £m		Quoted (Y/N)	31 March 2021 £m
	Cash		
0.8	Cash instruments	Y	-
0.8	Cash accounts	Y	-
0.8	Net current assets	N	-
	Equity instruments		
0.8	UK quoted	Y	0.6
91.7	Overseas quoted	Y	146.2
47.8	Pooled investment vehicle - UK managed funds	N	64.9
127.0	Pooled investment vehicle - UK managed funds (overseas equities)	N	184.4
0.4	Pooled investment vehicle - overseas managed funds	N	0.6
	Property		
8.7	European property funds	N	8.9
2.7	UK property debt	N	1.8
1.9	Overseas property debt	N	1.3
8.0	UK property funds	N	9.4
0.8	Overseas real estate investment trust	N	0.4
	Alternatives		
18.5	UK infrastructure	N	18.2
10.2	European Infrastructure	N	12.9
6.8	US Infrastructure	N	9.7
2.7	UK Stock Options	N	1.6
(2.3)	Overseas Stock Options	N	0.4
4.5	Corporate Private Debt	N	5.3
	Bonds		
1.5	UK Corporate	Y	-
17.4	Overseas Corporate	Y	-
-	Other bonds	N	0.4
27.3	UK Government Fixed	Y	-
0.4	Overseas Government	Y	-
379.2	Closing fair value of scheme assets		467.0

Impact of Covid-19 – contained material valuation uncertainty

The Covid-19 pandemic created a large uncertainty in financial markets and the market for other assets. As at 31 March 2021 material valuation uncertainty was contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base critical judgements.

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 Mercer Limited, an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2019. The principal assumptions used by the actuary have been:

Beginning of the period (p.a.)		End of the period (p.a.)
	Mortality assumptions	
	Longevity at 65 for current pensioners (years)	
22.6	Men	22.7
25.0	Women	25.1
	Longevity at 65 for future pensioners (years)	
24.2	Men	24.4
27.0	Women	27.1
	Financial Assumption	
2.1%	Rate of CPI inflation	2.7%
3.6%	Rate of increase in salaries	4.2%
2.2%	Rate of increase in pensions	2.8%
2.4%	Rate for discounting scheme liabilities	2.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method.

	Increase / (decrease) in assumption £m
0.1% increase in discount rate	(12.5)
0.1% increase in inflation rate	12.7
0.1% increase in the salary increase rate	1.1
1 year increase in the member life expectancy	22.7
0.1% increase in investment returns	(4.7)
0.1% decrease in investment returns	4.7

Impact on the Councils Cash Flows

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2022 is £14.1m.

Scheme History

Scheme History	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m	£m	£m
Present value of liabilities	(500.0)	(486.0)	(602.1)	(594.6)	(661.9)	(638.6)	(748.7)
Value of Scheme assets	288.6	281.7	355.1	369.5	393.6	379.2	467.0
(Deficit) in scheme	(211.4)	(204.3)	(247.0)	(225.1)	(268.3)	(259.4)	(281.7)

37. Contingent Liabilities

The council has commissioned a number of services that are provided by third parties. For a number of these external organisations, a number of staff were transferred in prior years and in order for those employees transferred to continue with their membership of the Local Government Pension Scheme an admission agreement would have been approved. The Admission Agreements were agreed on an individual basis and the council considers that the crystallisation of any material liabilities falling due under these arrangements to be unlikely at the balance sheet date. Therefore no contingent liability has been identified however the council has set aside a pension risk reserve in the unlikely event that unforeseen costs become payable in future years.

38. Nature and Extent of Risks Arising from Financial Instruments

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

- a) **Credit risk:** the possibility that other parties may fail to pay amounts owing to the council
- b) **Liquidity risk:** the possibility that the council may have insufficient funds available to meet its financial commitments
- c) **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. During the year the council's exposure to liquidity risk and market risk was considered to be no greater than previous years, during the year investment maturity limits were reduced reducing the council's exposure to risk.

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. 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 2020/21 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.

The following analysis summarises the council's potential maximum exposure to credit risk, based on default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2021 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and uncollectability 31 March 2020 £m	Estimated maximum exposure to default and uncollectability 31 March 2021 £m
Deposits with banks and financial institutions	36.4	-	-	-	-
Customers	12.9	0.2	0.2	-	-

Analysis of the amount outstanding for council debtors at 31 March by age is shown below

31 March 2020 £m		31 March 2021 £m
3.8	Less than 3 months	7.3
0.5	3 to 6 months	0.7
0.7	6 months to 1 year	1.3
2.4	More than 1 year	3.6
7.4	Total	12.9

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:

31 March 2020 £m		31 March 2021 £m
4.5	Less than 1 year	3.3
	More than 1 year	
2.4	Between 1 and 2 years	6.5
15.9	Between 2 and 5 years	15.2
18.2	Between 5 and 10 years	17.9
90.7	More than 10 years	85.2
131.7	Total borrowing per balance sheet	128.1

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:

- a) Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services would increase
- b) Borrowings at fixed rates – the fair value of borrowings would fall
- c) Investments at variable rates - the interest received credited to the Surplus or Deficit on the Provision of Services would rise
- d) 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 or Other Comprehensive Income and Expenditure. The impact is made by 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.

	1% increase in interest rates £m
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.8)

39. Trust Funds

The council acts as trustee for a number of Trust Funds, which have been established for the benefit of different sections of the community. The following summarises the movement on Trust Funds balances which the council administers during the year:

	Balance at 31 March 2020 £m	Repayment of Trust Fund Balances £m	Balance at 31 March 2021 £m
Other Funds	0.1	-	0.1

Other funds include the Hatton Bequest, which is available for Hatton Gallery exhibits.

Statement of Group Accounts and Explanatory Notes

40. Statement of Group Accounts

Introduction

The statement of group accounts consolidates the Herefordshire Council Core accounts and those of its subsidiary undertaking, Hoople Limited.

Hoople Limited specialises in providing support services to the public sector: IT, Training and recruitment, HR, Finance, Revenues and Benefits and Reablement. Herefordshire Council is a majority shareholder of Hoople Limited and considers the business to be a subsidiary undertaking due to the controlling influence it can and does exercise.

Hoople Limited had revenue of £16.8m in 2020/21 (2019/20: £14.3m). This included revenue from services provided to Herefordshire Council of £9.5m in 2020/21 (2019/20: £8.5m). The council provided services to Hoople Limited of £0.8m in 2020/21 (2019/20: £1.0m). These transactions were all made on an arms-length basis.

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the statement of group accounts is to provide the reader with an overall view of the material economic activities of the Group. The statement of group accounts provides a summary of the group's financial position and details of material items that have impacted on the accounts during the year. The statement of group accounts has been prepared using uniform accounting policies.

Within the notes to the Group accounts, the Council reports the group balance sheet headings where the difference between the core and group totals exceeds £1m.

Basis of Consolidation

In 2020/21 Herefordshire Council held 84% (2019/20 84%) of the ordinary share capital of Hoople Limited. The council effectively controlled and controls Hoople Limited and as such, it is accounted for as a subsidiary undertaking. It holds equal voting rights with the other shareholder, Wye Valley NHS Trust. In accordance with IAS 27 and IFRS 10, income and expenditure and assets and liabilities have been consolidated with the Council's accounts on a line-by-line basis, eliminating inter-organisational transactions and year end balances.

The council has not consolidated any other organisations as either Associated Companies or as Joint Ventures within the group accounts, as it does not consider any other investments held to have a material effect on the Statement of Accounts, nor does it consider that consolidating would better provide the reader with an improved overall view of the material economic activities of the council.

Group Comprehensive Income & Expenditure Statement

The Group Comprehensive Income and Expenditure Statement provides the accounting income and costs recognised by the Group, in a specific format which reconciles accountancy practice and public sector reporting requirements. This is shown in accordance with generally accepted accounting practices (GAAP).

There were no acquisitions or discontinued operations in the two years.

2019/20					2020/21			
Net Core £m	Group entities £m	Adjs £m	Group £m		Net Core £m	Group entities £m	Adjs £m	Group £m
53.1	-	(1.0)	52.1	Adults and Communities	48.2	-	(1.6)	46.6
37.2	-	(1.4)	35.8	Children and Families	35.9	-	(1.3)	34.6
37.4	-	0.1	37.5	Economy and Place	59.2	-	0.2	59.4
32.8	(0.5)	2.3	34.6	Corporate and Central Services	31.7	(0.3)	2.7	34.1
160.5	(0.5)	-	160.0	Net Cost of Services	175.0	(0.3)	-	174.7
6.1	-	-	6.1	Other Operating Expenditure	6.3	-	-	6.3
9.8	-	-	9.8	Financing, Investment Income and Expenditure	16.5	-	-	16.5
(188.5)	-	-	(188.5)	Taxation and Non-Specific Grant Income	(215.3)	-	-	(215.3)
(12.1)	(0.5)	-	(12.6)	(Surplus) or deficit on the provision of services	(17.5)	(0.3)	-	(17.8)
(9.4)	-	-	(9.4)	(Surplus) / deficit in revaluation of non-current assets	(15.7)	-	-	(15.7)
(20.8)	-	-	(20.8)	Re-measurement of net Defined Benefit Liability	13.0	-	-	13.0
(30.2)	-	-	(30.2)	Other comprehensive (income) / expenditure	(2.7)	-	-	(2.7)
(42.3)	(0.5)	-	(42.8)	Total comprehensive (income) / expenditure	(20.2)	(0.3)	-	(20.5)

The Surplus on the Provision of Services of £17.8m includes a Surplus of £-m attributable to the Minority Interest (2019/20: £0.1m).

The Total comprehensive (income) / expenditure attributable to the Minority Interest is £-m income (2019/20: £0.1m income).

These Minority Interests represent 16% (2019/20 16%) of the Income and Expenditure of Hoople Limited, the subsidiary undertaking.

Group Movement in Reserves Statement

The Group Movement in Reserves Statement provides the reconciliation of the movement in year on the different reserves held and how the resources generated or used in the year reconcile to the council's usable and unusable reserves.

2020/21	General Fund Balance	Earmarked Reserves	Revenue Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance brought forward	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)	(2.4)	(278.3)
(Surplus) or deficit on the provision of services	(17.5)	-	(17.5)	-	-	(17.5)	-	(17.5)	(0.3)	(17.8)
Other comprehensive income and expenditure	-	-	-	-	-	-	(2.7)	(2.7)	-	(2.7)
Total comprehensive income and expenditure	(17.5)	-	(17.5)	-	-	(17.5)	(2.7)	(20.2)	(0.3)	(20.5)
Adjustments between accounting basis and funding basis under regulations	(8.6)	-	(8.6)	(0.4)	(5.7)	(14.7)	14.7	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	(26.1)	-	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)	(0.3)	(20.5)
Transfers to or from earmarked reserves	26.1	(26.1)	-	-	-	-	-	-	-	-
Decrease/(Increase) for the Year	-	(26.1)		(0.4)	(5.7)	(32.2)	12.0	(20.2)	(0.3)	(20.5)
Balance Carried Forward	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)	(122.4)	(296.1)	(2.7)	(298.8)

Group Movement in Reserves Statement 2019/20 Comparative

2019/20	General Fund Balance	Earmarked Reserves	Revenue Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance brought forward	(8.5)	(67.0)	(75.5)	(41.5)	(4.4)	(121.4)	(112.2)	(233.6)	(1.9)	(235.5)
(Surplus) or deficit on the provision of services	(12.1)	-	(12.1)	-	-	(12.1)	-	(12.1)	(0.5)	(12.6)
Other comprehensive income and expenditure	-	-	-	-	-	-	(30.2)	(30.2)	-	(30.2)
Total comprehensive income and expenditure	(12.1)	-	(12.1)	-	-	(12.1)	(30.2)	(42.3)	(0.5)	(42.8)
Adjustments between accounting basis and funding basis under regulations	(1.0)	-	(1.0)	(2.7)	(4.3)	(8.0)	8.0	-	-	-
Net (increase)/ decrease before transfers to earmarked reserves	(13.1)	-	(13.1)	(2.7)	(4.3)	(20.1)	(22.2)	(42.3)	(0.5)	(42.8)
Transfers to or from earmarked reserves	12.5	(12.5)	-	-	-	-	-	-	-	-
Decrease/(Increase) for the Year	(0.6)	(12.5)	(13.1)	(2.7)	(4.3)	(20.1)	(22.2)	(42.3)	(0.5)	(42.8)
Balance Carried Forward	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)	(2.4)	(278.3)

Group Balance Sheet

Summarised

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2021 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements. A detailed balance sheet may be found on the next page.

2019/20			2020/21	
Core £m	Group £m		Core £m	Group £m
705.1	705.1	Long term assets	730.8	730.8
80.8	85.2	Current assets	119.3	124.2
(59.3)	(61.3)	Current liabilities	(85.3)	(87.5)
(450.7)	(450.7)	Long term liabilities	(468.7)	(468.7)
275.9	278.3	Net Assets	296.1	298.8
		Represented by:		
(141.5)	(143.9)	Usable reserves	(173.7)	(176.4)
(134.4)	(134.4)	Unusable reserves	(122.4)	(122.4)
(275.9)	(278.3)	Total Group Reserves	(296.1)	(298.8)

The Minority Interest share of subsidiary reserves represents an Unusable reserve to the Council in 2020/21 of £0.4m (2019/20: £0.4m).

The audited 2020/21 financial statements of Hoople Limited will be filed with Companies House before the statutory due date of 31 December 2021. Further details of the financial performance of that company will be contained therein. The financial performance of Hoople Limited, as consolidated into these group accounts may be found within note G2 to these accounts.

The audited group accounts, notes and accounting policies were authorised by the Chief Finance Officer and chair of Audit and Governance Committee on 24 November 2021.

Group Balance Sheet Detailed

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2021 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements

31 March 2020 £m		Notes	31 March 2021 £m
626.7	Property, Plant and Equipment		648.6
33.8	Investment Property		38.7
-	Intangible Assets		0.1
3.2	Heritage Assets		3.2
41.4	Long Term Debtors		40.2
705.1	Long Term Assets		730.8
19.1	Short term Investments		44.0
0.2	Inventories		0.2
36.4	Short Term Debtors	G7	53.7
26.2	Cash & Cash equivalents	G5	26.3
3.3	Assets held for Sale		-
85.2	Current Assets		124.2
(4.4)	Short Term Borrowing		(3.3)
(45.6)	Short Term Creditors	G6	(78.5)
(2.5)	Short Term Provisions		(4.0)
(8.8)	Cash & Cash equivalents	G5	(1.7)
(61.3)	Current Liabilities		(87.5)
(4.4)	Long term provisions		(4.4)
(127.2)	Long term borrowing		(124.9)
(8.2)	Capital Grants Receipts in Advance		(9.6)
(310.9)	Other Long Term Liabilities		(329.8)
(450.7)	Total Long Term Liabilities		(468.7)
278.3	Net Assets		298.8
(143.9)	Usable Reserves		(176.4)
(134.4)	Unusable Reserves		(122.4)
(278.3)	Total Reserves		(298.8)

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group for the reporting period.

2019/20 £m		Notes	2020/21 £m
(12.6)	Net (surplus) or deficit on the provision of services		(17.8)
(31.1)	Adjust net (surplus) or deficit on the provision of services for non-cash movements		(66.8)
5.6	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1.1
(38.1)	Net cash flows from operating activities		(83.5)
24.3	Net cash flows from investing activities		69.5
9.8	Net cash flows from financing activities		6.8
4.0	Net decrease or (increase) in cash and cash equivalents		(7.2)
(21.4)	Cash and cash equivalents at the beginning of the reporting period	G5	(17.4)
(17.4)	Cash and cash equivalents at the end of the reporting period	G5	(24.6)
4.0	Net decrease or (increase) in cash and cash equivalents		(7.2)

Notes to the statement of group accounts

G1. Group Accounting Policies

General Principles

The council is required to produce an annual statement of group accounts in accordance with the Accounts and Audit Regulations 2015, which requires 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 2020/21 "The Code", supported by International Financial Reporting Standards.

The Code sets out the requirement to prepare Group accounts where the authority has interests in subsidiaries, associated and/or joint ventures, subject to consideration of materiality.

Consolidation of subsidiaries, associate companies and joint operations

In preparing the Statement of Group Accounts, members within the Group are classified as either subsidiaries, associates or joint ventures. Subsidiaries (where the council has a controlling interest) are accounted for in accordance with IAS 27 and IFRS 10. Income and expenditure and assets and liabilities are consolidated with the Council's accounts on a line-by-line basis, eliminating inter-organisational transactions and balances at the year-end date.

The statement of group accounts has been prepared using uniform accounting policies. All of the accounting policies of Hoople Limited were considered and compared to those of Herefordshire Council. Since Hoople Limited commenced trading in 2011, the accounting policies it adopted have been closely aligned to those of Herefordshire Council and there were no material differences requiring restatements within the Group accounts.

The accounting policies applied to the statement of group accounts are therefore consistent with those set out in Note 1 to the core Herefordshire Council notes to the accounts.

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.

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 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.

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.

G2. Financial performance of group undertaking

The financial results of Hoople Limited are set out below. These results include transactions with the council, which have been eliminated in these group accounts. These intercompany transactions are set out within the Introduction section to these group accounts above.

	2019/20	2020/21
Statement of comprehensive income	£m	£m
Turnover	(14.3)	(16.8)
(Profit) / Loss on ordinary activities before taxation	(0.5)	(0.3)
Tax on profit on ordinary activities	-	-
(Profit) / Loss for the financial year after taxation	(0.5)	(0.3)
Other comprehensive (income) / expenditure	-	-
Total comprehensive (income) / expenditure for the year	(0.5)	(0.3)

	2019/20	2020/21
Statement of financial position	£m	£m
Non-current assets	-	-
Current assets	4.8	5.4
Liabilities due within one year	(2.4)	(2.7)
Liabilities due after one year	-	-
Net Liabilities and Reserves	2.4	2.7

G3. Group Nature of Expenses Disclosure

The Group's expenditure and income is included in the Group Comprehensive Income and Expenditure Statement as follows;

2019/20 £m		2020/21 £m
	Income	
(60.4)	Fees, charges and other service income	(49.6)
(2.4)	Trading and investment income	(3.2)
(3.5)	Interest and investment income	(3.2)
(143.2)	Income from council tax and non-domestic rates	(132.7)
(197.4)	Government grants and contributions	(266.0)
-	Gains on disposal of non-current assets	-
(406.9)	Total Income	(454.7)
	Expenditure	
127.4	Employee benefits expenses	132.6
213.3	Other service expenses	232.5
5.1	Support service recharges (net)	5.7
1.3	Loss on disposal of non-current assets	1.2
26.7	Depreciation, amortisation and impairment	36.9
0.2	Trading and investment expenditure	8.1
15.5	Interest expenditure	14.8
4.8	Precepts and levies	5.1
394.3	Total Expenditure	436.9
(12.6)	(Surplus) / Deficit on the Provision of Services	(17.8)

G4. Pensions

The company has two defined pension plans, NHS Pension Scheme and Local Government Pension Scheme (LGPS), both of which require contributions to be made to separately administered funds. The company operates a defined contribution pension scheme with Standard Life for new employees, which began in April 2014.

LGPS Pension Scheme

The company is one of several employing bodies included within the Local Government Pension Scheme (LGPS). Worcester County council administers the pension for past and present employees. The assets and liabilities of the pension are part of the Herefordshire council valuation and included in the group accounts.

The total contribution made for the year ended 31 March 2021 was £0.7m of which employer's contributions totalled £0.5m and employees' contributions totalled £0.2m.

NHS Pension Scheme

Hoople Ltd participates in a defined benefit scheme administered by the NHS Pension Agency. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The cost of the defined benefit scheme is charged to the statement of comprehensive income, profit and loss so as to spread the cost of pensions over the service lives of participating employees. Pension costs are assessed in accordance with advice from Department of Health actuaries. It is not possible for the company to separately identify assets and liabilities relating to the company within the NHS scheme for the purposes of IAS 19 disclosure therefore, the scheme is accounted for as a defined contribution scheme.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Hoople Limited Defined Contribution pensions scheme

Hoople Ltd have closed the public sector pension schemes to new entrants. All new employees having access to a Standard Life Pension Scheme, which is a defined contribution scheme.

2019/20		2020/21
£m		£m
0.1	Employees' contributions	0.2
0.2	Employers' contributions	0.2
0.3	Total	0.4

G5. Group Cash and Cash Equivalents

31 March 2020		31 March 2021
£m		£m
7.2	Cash held by the Group	8.7
19.0	Short term deposits	17.6
26.2	Total	26.3
(8.8)	Bank current accounts	(1.7)
17.4	Total Cash and Cash Equivalents	24.6

Hoople Limited held £3.4m of short term cash balances as at 31 March 2021 (31 March 2020: £2.9m)

G6. Group Short Term Creditors

31 March 2020 £m		31 March 2021 £m
(17.6)	Central government bodies	(25.5)
(2.5)	Other local authorities	(2.9)
(1.7)	NHS bodies	(1.5)
(23.8)	Other entities and individuals	(34.0)
-	Monies due to agency NMiTE	(14.6)
(45.6)	Total	(78.5)

Hoople Limited had short term liabilities totalling £2.7m as at 31 March 2021 (31 March 2020: £2.4m). These included Trade creditors, Accruals and VAT liability in line with normal business activities.

G7. Group Short Term Debtors

31 March 2020 £m		31 March 2021 £m
11.0	Central government bodies	22.3
1.4	Other local authorities	3.4
2.2	NHS bodies	4.6
12.9	Other entities and individuals	23.4
8.9	Agency BEIS Business Support Grants	-
36.4	Total	53.7

Hoople Limited had short term assets totalling £5.4m as at 31 March 2021 (31 March 2020: £4.8m). These included trade debtors and their short term cash balances.

G8. External audit costs

2019/20 £m		2020/21 £m
0.1	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.1	Total	0.2

Supplementary Accounts- Collection Fund

42. Collection Fund

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.

2019/20		2020/21		
Total £m		Council Tax £m	Business Rates £m	Total £m
	Amounts required to be credited to the Collection Fund			
131.5	Council Tax	137.2	-	137.2
46.6	Business Rates Income	-	19.7	19.7
1.2	Transitional Protection Payments Receivable	-	0.2	0.2
	Contribution towards previous year's Deficit			
0.9	Central Government	-	-	-
-	Hereford and Worcester Fire Authority	-	-	-
0.9	Herefordshire Council	-	-	-
181.1	Total	137.2	19.9	157.1
	Amounts required to be debited from the Collection Fund			
	Precepts, Demands and Shares			
22.9	Central Government	-	23.3	23.3
6.3	Hereford and Worcester Fire Authority	6.0	0.5	6.5
126.7	Herefordshire Council	109.8	22.9	132.7
4.6	Parish and Town Councils	4.9	-	4.9
14.9	West Mercia Police	15.7	-	15.7
	Contribution towards previous year's Surplus			
-	Central Government	-	0.4	0.4
-	Hereford and Worcester Fire Authority	0.1	-	0.1
0.4	Herefordshire Council	1.4	0.4	1.8
0.1	West Mercia Police	0.2	-	0.2
	Charges to Collection Fund			
0.3	Cost of collection Allowance	-	0.3	0.3
0.3	Write offs of uncollectable debt	0.1	0.1	0.2
0.6	Increase/(decrease) of Bad Debt Provision	1.2	0.8	2.0
(0.3)	Increase/(decrease) of Appeals Provision	-	1.4	1.4
0.3	Other transfers to General Fund	-	0.3	0.3
177.1	Total	139.4	50.4	189.8
4.0	Surplus/(Deficit) for the Year	(2.2)	(30.5)	(32.7)
1.4	Balance brought forward	2.0	3.4	5.4
5.4	Balance carried forward	(0.2)	(27.1)	(27.3)

Notes to the Collection Fund

The total non-domestic rateable value at the year-end was £135.7m and the national non-domestic rate multiplier for 2020/21 was 51.2p

Non - Domestic Rates Income	2020/21 £m
Annual Debit	67.9
Less	
Empty Allowances	(1.4)
Transitional Relief	(0.7)
Discretionary Relief	(0.6)
Mandatory Relief	(5.1)
Small Business Rate Relief	(10.5)
Funded Reliefs	(29.4)
Enterprise Zone Relief	(0.3)
Total	19.9

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 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 & Worcester Fire & 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 2020/21 was £1,954.77 including fire, police and parish precepts, with a range of between £1,884.96 and £2,051.05. The council tax base used for setting the council tax in 2020/21 was 69,756.27. 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	5,503.45
B	£40,001 to £52,000	7/9	11,594.73
C	£52,001 to £68,000	8/9	12,249.32
D	£68,001 to £88,000	9/9	11,578.33
E	£88,001 to £120,000	11/9	13,127.19
F	£120,001 to £160,000	13/9	9,490.26
G	£160,001 to £320,000	15/9	5,608.19
H	Over £320,000	18/9	317.90
Crown			286.90
Total			69,756.27

Council Taxpayer Income	2020/21 £m
Council Tax debit at 1 April	164.2
Banding change	2.1
Less	
Discounts	(13.3)
Exemptions	(3.8)
Council Tax Reduction	(11.8)
Disablement Relief	(0.2)
Total	137.2

The Collection Fund surplus or (deficit) at 31 March 2021 is split as follows:

	Council Tax £m	Business Rates £m	Total £m
Central Government	-	(13.5)	(13.5)
Hereford and Worcester Fire Authority	-	(0.3)	(0.3)
Herefordshire Council	(0.2)	(13.3)	(13.5)
West Mercia Police	-	-	-
Total	(0.2)	(27.1)	(27.3)

43. Definitions

Accounting Policies

Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

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

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Contingent Liability

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

A present obligation that arises from past events but is not recognised because

- a) it is not probable that an outflow of resources embodying economic benefits or
- b) services potential will be required to settle the obligation, or

c) the amount of the obligation cannot be measured with sufficient reliability.

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.

Core

The single entity, being Herefordshire Council.

Covid-19

Coronavirus disease (Covid-19) is an infectious disease. Most people infected with the Covid-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment.

Debtors

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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 (FIAA) 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.

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.

Intangible Asset

An identifiable asset without physical substance e.g. computer software.

Inventories

These are assets;

- a) In the form of materials or supplies to be consumed in the production process
- b) In the form of materials or supplies to be consumed or distributed in the rendering of services
- c) Held for sale or distribution in the ordinary course of operations, or
- d) In the process of production for sale or distribution

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

Property, plant and equipment

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.

Revaluation Reserve

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

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

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

Revenue

The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Soft loan

A loan at less than the market interest rate.

44. Annual Governance Statement

To follow



Corporate Services
Finance, Legal and Democratic Services
 Chief Executive: Paul Walker

Grant Thornton UK LLP
 2 Glass Wharf
 Bristol
 BS2 0EL

24 November 2021

Dear Sirs

Herefordshire Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Herefordshire Council and its subsidiary undertaking Hoople Limited for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.



- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:



- a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
 - xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
 - xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - xxii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
 - xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 November 2021.

Yours faithfully



Name.....Andrew Lovegrove.....

Position...Chief Finance Officer.....

Date.....24 November 2021.....

Name.....Councillor N Shaw.....

Position.....Chairman of the Audit and Governance Committee.....

Date.....24 November 2021.....

Signed on behalf of the Council

Title of report: Update on Internal Audit Recommendations

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of corporate performance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To review the progress of audit recommendations implementation.

The committee receives periodic reports on progress made in implementing audit recommendations to enable it to fulfil its role of monitoring the effective development and operation of risk management and corporate governance in the council.

Fifty-seven percent of the 23 recommendations outstanding at the time of the last report to committee in May 2021 have since been completed. Sixty-six percent of recommendations due between April 2021 and September 2021 are reported as complete. Of all recommendations due in the future, 86% of these are on track for completion by their targeted completion dates, or have already been completed ahead of schedule.

Recommendation(s)

That:

- a) **The status of current audit recommendations be reviewed and the committee determine any recommendations it wishes to make in order to provide further assurance that actions identified by audit activity are being actively managed.**

Alternative options

1. The committee could choose not to monitor the progress made on audit recommendations; however this would not be recommended as it is a function of the committee to monitor the effective development and operation of risk management and corporate governance in the council, and this report seeks to assure the committee that actions in response to audit recommendations are being suitably prioritised, in turn reducing the risk to the council.

Key considerations

2. South West Audit Partnership (SWAP) provides the internal audit services for Herefordshire Council. SWAP is required to deliver an annual audit plan, which is scoped using a risk-based assessment of the council's activities. Additional audits are added to the plans as necessary to address any emerging risks and issues identified during the year.
3. Upon completion of each audit review, a formal report is drafted for discussion with service managers. These reports include the main conclusions of the review and the overarching opinion, individual findings and the potential associated risk exposure.
4. Management responses to each audit recommendation are obtained and recorded, identifying any actions required, the person responsible and an agreed target implementation date.
5. Recommendations are each scored to indicate their severity. The scoring matrix is shown below:

	Priority
Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of the management	Priority 1
Important findings that need to be resolved by management	Priority 2
Finding that requires attention	Priority 3

6. All staff responsible for audit recommendations are asked to review progress on the implementation of recommendations. Managers were asked to self-report on the action which had been taken in respect of the SWAP recommendation and the overarching status.
7. The last report to the Audit and Governance Committee in May 2021 provided an update on audit recommendations. At this meeting, it was reported that there were 23 recommendations that were overdue; a combination of recommendations which had been previously reported to the committee as overdue (6), and those which were due between October 2020 and March 2021 that hadn't been complete as planned (17). Updates have been sought on these remaining items from responsible owners identified at the point of finalising the audit. These updates identified that 13 recommendations have since completed and 10 remain outstanding. Further details on these recommendations can be found at appendix A, along with revised completion dates.
8. Between April 2021 and September 2021, a further 32 recommendations were due for completion. The table below provides an update status for these recommendations, split by priority and directorate.

		A&C	C&F	E&P	Corp. Centre
Priority 1	Complete	-	-	-	-
	Incomplete	-	-	-	-
Priority 2	Complete	1	-	-	5
	Incomplete	-	1	3	-
Priority 3	Complete	2	1	3	9
	Incomplete	1	-	2	4
Total	Complete	3	1	3	14
	Incomplete	1	1	5	4

9. Of all the audit recommendations which became due for completion since the last committee, 66% have been completed. Further details on the recommendations, and the update provided can be found in appendix B.
10. In addition to recommendations due for completion before this meeting, an update is provided below giving an indication of progress being made against recommendations due in the future.

	Priority 1	Priority 2	Priority 3	Total
Complete		1	3	4
On track		7	14	21
Delays possible			2	2
Delays likely			2	2

11. Of the future recommendations, 86% of these are on track to be completed within planned timescales, or have already been completed. This is a significant improvement on the last report to committee. A further narrative on these items can be found in appendix C.

External Audit Recommendations

12. Since the last report to committee, the council's 2019/20 annual accounts have been completed by Grant Thornton, our external auditor. The audit issued a limited qualification in relation to their Value For Money assessment, which Grant Thornton were unable to assure in capital spend and children's services. An Improvement Board for Children's Safeguarding is monitoring and regularly overseeing progress in relation to the Improvement Plan for children's safeguarding. The continued role out of the project management office, use of capital boards and a new major project improvement board are leading on managing the improvements required in relation to capital spend.
13. The unqualified statement of accounts opinion included the following formal recommendation in relation to the authorisation of journal postings:
- "We therefore recommend that management look to increase the priority of the authorisation process or put in place mitigating controls until this process can be implemented."
14. To date the chief finance officer is content that the restrictions and control processes in place adequately protect the council from inappropriate journals being processed. These include restrictions in system access and review of higher value journal postings outside of the ledger system.

Community impact

15. In accordance with the principles of the council's adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective service planning, financial management, risk management and internal controls are important components of this performance management system. By monitoring the implementation of audit recommendations, assurance is given that risks are being effectively managed and that the council is taking action to meet its corporate plan priorities to secure better services, quality of life and value for money.

Environmental Impact

16. This report is based on internal audit and the response of the council to its recommendation, as such there are minimal environmental impacts.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

19. There are no resource implications arising from this report.

Legal implications

20. There are no legal implications arising from the recommendations in this report.

Risk management

21. There are no risks associated with the recommendations of this paper and visibility of the progress being made against audit recommendations promotes good governance. However, internal audit recommendations are raised as a result of gaps in our controls or deficiencies

identified within processes reviewed, therefore incomplete and overdue items inherently increase the council's exposure to risk.

Consultees

22. None

Appendices

Appendix A Recommendations overdue at the last report to committee

Appendix B Recommendations due between April 2021 and September 2021

Appendix C Recommendations due in the future

Background papers

None identified

Appendix A – Recommendations overdue at the last report to committee

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Recommendations due before September 2020						
AWB Contract Monitoring - Quality Assurance Strategy 2018/19	1.6 We recommend that an agreement be reached on the method of recording and reporting KPIs for domiciliary care, which will provide an efficient solution to the staff, and that this be developed / implemented within a reasonable timescale.	3	31/03/2020 revised to 31/10/2021	Complete		Quality Improvement Manager, Adults & Communities
Continuing Healthcare Funding Process	1.1.2 We recommend that the CHC Dispute Policy should be viewed with consideration given to any changes required, in particular the timeframe for a meeting to be arranged for cases subject to the dispute resolution process at level two. Once the policy is formally agreed between the Council and the CCG it should be signed off.	2	30/04/2020 revised to 31/07/2021 31/03/2022	The targeted programme of reviews with CCG colleagues has largely been completed. This programme of work alongside other work stream have provided the data and narrative to inform policy and practice development with CCG. The new policy - named as CHC -Working in partnership policy has been written by H&WCCG in collaboration with HC and WCC. It is now at the governance stage for sign off.	In Progress	Service Director - Social Care, Adults & Communities
	Continuing Healthcare Funding Process	1.1.3 We recommend that a formal written backdating protocol is developed and approved between the Council and the CCG.	3		30/04/2020 revised to 31/07/2021 31/03/2022	In Progress

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Healthy Lifestyle Service 2019/20	1.3 We recommend that the Healthy Lifestyles and Wellbeing Information Manager ensures: <ul style="list-style-type: none"> • The Healthy Lifestyle Specialist populates the 121 agenda to accurately reflect their work status, to allow the Healthy Lifestyles and Wellbeing Information Manager to improve monitoring to identify training needs, improved outcomes and efficiencies • Progress against PDP objectives is evaluated on a regular basis appropriate to the development required • Questions on the DCRS are re-visited to determine if it would be beneficial to make other fields mandatory • A feedback form is developed for group activities • Healthy Lifestyle Specialist as part of the individual and group activities seek to obtain a completed feedback form from the client who participated in the event. This request could be monitored as part of the PDP process. 	3	30/04/2020 revised to 31/07/2021	Complete		Healthy Lifestyles Wellbeing and Information Manager, Adults & Communities
Healthy Lifestyle Service 2019/20	1.5 We recommend that the Healthy Lifestyles and Wellbeing Information Manager confirms that procedures are reviewed to verify: <ul style="list-style-type: none"> • Alignment to the current processes • Compliance with Herefordshire Council Policy Writing Procedures, March 2018. 	3	30/04/2020 revised to 31/07/2021	Complete		Healthy Lifestyles Wellbeing and Information Manager, Adults & Communities
Property Maintenance - Schools	1.3 We recommend that a simple set of procedures be set up for compilation of the annual maintenance programme planning spreadsheet, and for the planning and approval of additional / emergency works.	3	31/03/2020 revised to 30/09/2021 31/03/2022	Paper giving clear guidance, including roles and responsibilities, around schools maintenance being finalised. Maintenance programme being managed by PMO - approval of additional / emergency works covered by change requests and records of officer decisions.		Head of Educational Development, Children & Families

Recommendations due between October 2021 and March 2021

Local Enterprise Resources Team	<p>1.1 We recommend that the Head of Community Commissioning and Resources undertakes the following:</p> <ul style="list-style-type: none"> • Develops a prioritisation process for funding enquires, which shows transparency on why organisations are supported • Prepares and tests the quality of the on-line enquiry form to deliver the required information to identify priority organisations to support • Approves and publishes the on-line enquiry form on the Herefordshire Council internet • Requires the Funding and Enterprise Officer supporting social enterprises to provide guidance on prioritisation of enquiries • Documents the Prioritisation processes, which should be compliant with the Herefordshire Council Procedure Writing Policy 2018. 	3	29-Feb-20	Complete	Assistant Director Talk Community Programme, Adults & Communities
Local Enterprise Resources Team	<p>1.2 We recommend that the Head of Community Commissioning and Resources undertakes the following:</p> <ul style="list-style-type: none"> • Verifies the management information required by the Directorate Leadership Team (DLT) • Provides monthly management reporting to the DLT • Arranges support for the Local Enterprise Resources Manager to develop the reporting information required by the DLT. 	3	31-Dec-19	Complete	Assistant Director Talk Community Programme, Adults & Communities

Local Enterprise Resources Team	1.3We recommend that the Head of Community Commissioning and Resources completes the following: • Requires each officer to document key information, including procedures, contacts, websites etc. which will allow adequate cover to be provided for their role in their absence • Compiles the procedures for the process to fulfil the Ofcom guidance and Council governance for any proposal for the removal of telephone boxes. • New procedures and the existing 'Hfdsh Channel Panel Operating' guidelines to be amended to meet the requirements of the Herefordshire Council Procedure Writing Policy 2018.	3	31-Jan-20	Complete		Assistant Director Talk Community Programme, Adults & Communities
Staff Car Parking - Business Passes	1.2.1 We recommend that the Assistant Director of Technical Services ensures: • Managers and staff business pass holders are reminded of the requirement to return parking passes if an officer leaves or transfers to a new role, • A centralised record of returned passes is populated in a consistent manner to identify details of all passes that are required to be returned including the leaving/role change date or the date that the pass was destroyed to allow Parking Services to pursue unreturned passes as part of the solution under recommendation 1.1, • Where the manager fails to obtain a staff business pass, where the officer is leaving or transferring the service should be charged for the cost of a season ticket for the pro rata amount remaining time left on the parking pass.	3	31/01/2021 revised to 30/09/2021 31/12/2021	A solution was first explored utilising the councils system that handles resident parking applications, however this was problematic and would have still resulted in paper based permits being issued. It is therefore been considered most appropriate to move this permitting to a completely virtual system and invest more time developing that system. The councils current provider of cashless parking on car parks has been engaged and they have offered a bespoke solution to resolve the issue. This will mean that all permits will no longer exist in paper form and by virtue of this a live list exists which can be checked. Extension agreed by Director, Cabinet Member informed.	In Progress	Parking Strategy and Processing Manager

Commercial Properties/Rents 2020/21	1.1 We recommend that all procedures and processes, along with escalation protocols, are documented to aid business continuity and these documents should then be made available to the team on a shared drive.	3	28/02/2021 revised to 31/05/2021 31/03/2022	The main Strategic Asset Management document has been through DMT, is with Cabinet Member for approval and is booked to go to Management Board early November. The Corporate asset procedures are still in draft.	In Progress	Senior Estate Manager, Economy & Place
Commercial Properties/Rents 2020/21	1.2 We recommend that the Strategic Property Services Manager considers recording a range of appropriate incentives to attract tenants in the event that occupancy rates fall during /after the pandemic, to mitigate the risk of lost income through rent receivable along with vacant property holding costs.	3	28/02/2021 revised to 30/06/2021 31/03/2022	The main Strategic Asset Management document has been through DMT, is with Cabinet Member for approval and is booked to go to Management Board early November. The Corporate asset procedures are still in draft.	In Progress	Senior Estate Manager, Economy & Place
Commercial Properties/Rents 2020/21	1.4 We recommend that action is taken to try to recover Butter Market debts and a decision made regarding these debts where debtors cannot be traced/contacted.	3	28-Feb-21	Complete		
South Wye Transport Package Phase 2 - Governance Review	1.1 We recommend that the Assistant Director Strategy ensures that where possible all projects are managed utilising the corporate project management system. In addition to this consideration is given as to how information recorded in other systems to manage projects feeds/links into the Councils Corporate Project management system.	2	31-Dec-20	Complete		

Home Point 2019/20	1.1 We recommend that the Assistant Director Strategic ensures:• structured minutes/action points are taken for all meetings held with an appropriate level of detail,• Project board and project team meetings are held at least at the frequency stated and reasons as to why meetings did not take should be recorded.We recommend that Assistant Director Strategic considers:• Whether a corporate format for minutes and terms of reference would be beneficial,• Whether revenue project meetings require an agenda.	3	31-Dec-20	Complete		
Home Point 2019/20	1.2(1) We recommend that the Programme Director Housing and Growth in liaison with the Programme Manager: Digital and Technology ensures all governance processes are adhered to regarding decision making. Where changes in the project arise, appropriate approvals should be sought, and consideration given as to whether existing procurement arrangements are still appropriate. If governance advice is sought from the governance team, officers must ensure they outline the considerations in detail. Sufficient and appropriate documentation should be maintained in relation to decision making.	2	31-Dec-20	Complete		
Income Charging 2019/20	1.1 We recommend the Chief Finance Officer ensures a review of the current income charging principles is carried out including consideration as to whether a corporate Income Charging Policy Document/procedure document would be beneficial.	3	30/10/2020 revised to 31/07/2021 31/03/2022	Review of the income policy is currently underway	In Progress	Head of Management Accounting/Chief Finance Officer, Corporate Centre

Savings Targets 2019/20	1.1 We recommend that the Chief Finance Officer ensures that all savings proposals are supported with a formal documented plan/proposal that includes: <ul style="list-style-type: none"> • Detail as to how the savings will be achieved including financial rationale/calculation that has been validated by relevant officers • Costs that will be incurred to achieve the savings target, • Responsible officer(s) and required officer sign off, • Status of achievement of status including monetary achievement and reasonableness of achievement. 	2	31/10/2020 revised to 01/07/2021	Complete	Head of Management Accounting
Savings Targets 2019/20	1.2 We recommend that the Chief Finance Officer reviews the current RAG categorisation used to report against performance of savings targets. When a method of categorisation is agreed upon officers should retain justification/rationale for categorisation and guidance should be available to staff relating to categorisation. Checks should be completed to ensure performance reporting is accurate and correct.	3	31/10/2020 revised to 01/07/2021	Complete	Head of Management Accounting
Savings Targets 2019/20	1.4 We recommend the Chief Finance Officer ensures consistent regular monitoring of performance targets takes place across the directorates.	3	31/10/2020 revised to 01/07/2021	Complete	Head of Management Accounting

Commercial Properties/Rents 2020/21	1.5 We recommend that the Revenues Team carry out formulae checks prior to issuing Excel spreadsheet reports to ensure the integrity of the information being provided to Council services. The arrears reports should also detail the invoice number and date to clearly identify which invoices are in arrears. Any amounts paid off from individual invoices should also be clearly noted to show any outstanding balances.	2	31/03/2021 revised to 31/07/2021 31/11/2021	We are now utilising the cost code spreadsheet which is not only more precise but easier to use therefore has a small time saving. We are still sending 7 reports over though at the moment as the previous reports show individual months. However, we are now going to liaise with Property Services on this final element to see if they are happy with us to simply send one report each month and they utilise the previous month's emailed report for comparison. It is taking some time to get the reports right and we are now introducing a new area due to invoicing for an additional area in Hereford to include service charges and rents for.	In Progress	Revenues Manager, Hoople
Emergency Active Travel Fund Tranche 1 Grants	The client has agreed to pick up the matter of coding and address this accordingly for Tranche 2 to ensure that valid grant expenditure is recorded against appropriate codes in Business World.	3	31/12/2020 revised to 28/02/2022	Phased decommissioning in progress now Covid restrictions have been relaxed. First phase completed end August 21, second phase (to allow on street dining licenses to expire) completed beginning October 21. Final phase due to be completed January / February 22 when Temporary Traffic Regulations expire.	In Progress	Infrastructure Manager, Economy & Place
Additional Dedicated Home to School and College Transport Grant	Contract variation orders will be drawn up where required, prior to the start of the variation period, subject to confirmation of funding being received from the DfE in a timely manner.	3	31/12/2020 revised to 28/02/2022	Phased decommissioning in progress now Covid restrictions have been relaxed. First phase completed end August 21, second phase (to allow on street dining licenses to expire) completed beginning October 21. Final phase due to be completed January / February 22 when Temporary Traffic Regulations expire.	In Progress	Transport Services Manager, Economy & Place

Appendix B – Recommendations due between April 2021 and September 2021

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Audit name	Recommendation	Priority	Target date	Update	Status	Owner
s106 Agreement	<p>1.2 It is agreed that information in relation to section 106 spend by the council should be reported in an open and transparent manner, irrespective of the value. This can be done through the production of a Record of Officer Decision produced through Mod.Gov and published to the council website.</p> <p>A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to advise of the need to produce a Record of Officer Decision for all section 106 spends and to discuss whether this is reported individually or on a monthly basis with information on what has been spent that month.</p> <p>With regards to reporting on the section 106 monies paid to external organisations, the Planning Obligations Manager will write to those organisations on a biannual basis outlining what money they have received and asking them to advise the council on what the monies have been spent. This information can be held in Civica against the planning application and published to the web against the planning application record. We could also consider how this information can be published to the decision- making section of the website.</p>	2	08-May-21	Pending update		Planning Obligations Manager, Economy & Place
Staff Car Parking - Business Passes	<p>1.2.2 We recommend that the Assistant Director Corporate Support further investigates the leavers process to ensure the Parking Services Team are notified of leavers/changes in role and that this is done promptly.</p>	3	30/06/2021 revised to 31/03/2022	Leaver audit by SWAP now arranged for Quarter 4	In progress	Assistant Director People, Corporate Centre

Facilities Management	1.7.2 We recommend that the Commercial and Contracts Manager arranges for further notification be posted onto SharePoint with a backup email sent to all users, detailing the new process. Consideration could also be given to posting a notification on staff notice boards.	3	30-Apr-21	Complete		Commercial and Contracts Manager / Strategic Property Services Manager, Economy & Place
Members Allowances and Expenses 2019/20	1.3a We recommend the Democratic Services Manager considers including specific guidance amounts for subsistence in the Councillors allowance scheme.	3	31-May-21	Pending update		Democratic Services manager and Democratic Services Officer, Corporate Centre
Staff Car Parking - Business Passes	1.1 We recommend that the Assistant Director for Technical Services ensures that: <ul style="list-style-type: none"> • A solution is identified and implemented to provide a master list of active pass holders with appropriate reports to allow monitoring to be simplified, • All existing pass holders are checked for general compliance with the Staff Car Parking Policy - Business Passes April 2019 annually. 	2	30/04/2021 revised to 31/12/2021	A solution was first explored utilising the councils system that handles resident parking applications, however this was problematic and would have still resulted in paper based permits being issued. It is therefore been considered most appropriate to move this permitting to a completely virtual system and invest more time developing that system. The council's current provider of cashless parking on car parks has been engaged and they have offered a bespoke solution to resolve the issue. This will mean that all permits will no longer exist in paper form and by virtue of this a live list exists which can be checked. Extension agreed by Director, Cabinet Member informed.	In progress	Parking Strategy and Processing Manager, Economy & Place
Treasury Management Follow-Up	The Head of Corporate Finance agreed to contact the HR Services Manager in order to facilitate the provision of monthly payroll figures when the payroll is run.	3	30-Jun-21	Complete		Head of Corporate Finance, Corporate Centre
Council Tax	The Council Tax Banding Schedule dated 13 December 2020 was processed when the Valuation Office (VO) total had altered from the previous schedule and balance and had not been investigated.	3	31-Jul-21	Complete		Council Tax and Business Rates Team Leader, Hoople

Significant Partnerships	<ul style="list-style-type: none"> • Once confirmed by the directors ensure the contact list is correct. • For directors to attend the Audit and Governance Committee with link officer to report on the value of the partnership during 2021/22. 	2	31/03/2021	Complete	Assistant Director Corporate Support, Corporate Centre
Accounts Payable	<p>The Payments Manager has emailed all members of the team and requested that they add a comment when making changes to supplier details. She has put forward the following comments that they can select from:</p> <ul style="list-style-type: none"> • Rang supplier to check details and spoke to X on X to confirm– initial and date; • Unable to contact supplier details after X amount of attempts – initial and date; • Information provide by X – this department already does stringent checks (IE social care) – initial and date; • Internal BACS form completed - who sent it to you/did we send this out, put the team members/person’s name who sent out the form – initial and date; • Request to re-open account by X – details supplied by X – spoke to X at the company on X – initial and date; • Direct input invoice from X – initial and date. <p>Staff have been asked to add the date on which they completed this as well. Other comments can be added if none of the above are appropriate. The officer who carries out the second check has been requested to ensure that the details of checks carried out have been included.</p>	3	Immediate	Complete	Payments Manager, Hoople

Accounts Payable	The Payments Manager forwarded the details of the two possible duplicates to the Senior Transactional Officer to carry out the checks on them, who later confirmed that they were indeed duplicate suppliers, although as stated one was a parish clerk and payments made were in respect of different parishes. All of these duplicates had been set up by the Directorate Accountant when processing flood relief payments. The Senior Transactional Officer has confirmed that she will delete the duplicate supplier records and has informed the Directorate Accountant of these occurrences, while advising as to the process to be followed in future to avoid further duplicate suppliers from being set up. The Senior Transactional Officer also confirmed that these duplicate supplier records had not resulted in any duplicate payments being made. New suppliers are always doubled checked by the Payments Team when set up so as not to duplicate. The CV and TT suppliers are outside of the Payments Team's control.	3	31/05/2021	Complete	Payments Manager, Hoople
Brexit Preparedness	In future, agendas will be circulated in advance of group meetings, and minutes, including details of agreed actions, will be recorded. The group terms of reference will be included on the agenda of the next meeting.	3	31/01/2021	Complete	Solicitor to the Council, Corporate Centre
Brexit Preparedness	Approval of the EU Exit risk register is already planned for the next EU Exit working group meeting on 19 January. This will include revisiting the risks and ratings and determining whether any low-rated risks should remain on the register. The review of the EU Exit risk in the corporate risk register will be delayed until after this meeting so that the meeting conclusions can be taken into account.	3	31/01/2021	Complete	Solicitor to the Council, Corporate Centre

Brexit Preparedness	As stated in paragraph 2 above, the approval of the EU Exit risk register is already planned for the next EU Exit working group meeting on 19 January. Following this, the risk register will be updated to include full descriptions; risk ratings; and clear mitigating actions which include a named responsible officer.	2	31/01/2021	Complete		Solicitor to the Council, Corporate Centre
Brexit Preparedness	EU Exit fraud risk will be considered at the next EU Exit working group meeting as part of the review of the risk register.	3	31/01/2021	Complete		Solicitor to the Council, Corporate Centre
Accounts Receivable	The process that was recommended previously unfortunately made processes a lot harder for the Revenues Team as they found they were having to wait for authorisations to come through from budget holders before the credit note would already appear. This was not only double handing but meant that the Revenues Team were not able to finalise the account on the system or with the customer. It also meant the Revenues Team having to input further diary dates whilst waiting for the credit notes to be approved. The Revenues Team will continue to only raise credit notes on the request of the department.	3	Immediate	Pending update		Revenues Manager, Hoople
Accounts Receivable	The Revenues Manager will liaise with the Corporate Finance Manager to request a change in document that is produced half yearly.	3	31/07/2021	Pending update		Revenues Manager, Hoople
Housing Benefit and Council tax	All Revenues & Benefits procedures should be documented on set templates which includes review dates. The flowcharts were created as training guides rather than a procedure, but these will now be moved onto the same template for procedures.	3	31/05/2021	Complete		Revenues Manager & Benefits & Development Manager, Hoople

Commercial/Strategic Investments	<p>Action 1 Work has already started to address the issues identified and meetings have taken place with the agent and Finance officers. We will work with Finance to introduce or expand processes as required to ensure these issues are corrected – support from Finance will be necessary. The additional issues identified in the work by the Strategic Finance Project Manager will be included in this.</p> <p>Action 2 A check will be performed by the Head of Corporate Finance to ensure corrective action is in place and working.</p>	2	31/07/2021 30/09/2021	Complete	Assistant Director Technical Services & Head of Corporate Finance, Corporate Centre
s106 Agreement	<p>The Planning Obligations Manager will review the Planning Obligation process flow chart to see if it can be simplified and will add version control. The Planning Obligations Manager has produced a process map for each service area showing process for spend of the monies. These will be reviewed in light of the requirement to produce a Record of Officer decision and the changes that may be made as to how section 106 highway monies are spent. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss what procedure notes are in place and what procedure notes needs to be put in place.</p> <p>At present service areas receive notification of when section 106 monies have been received. It has been agreed that service areas will receive a copy of the signed section 106 agreement so that they have a copy for their records and can monitor site development. We will also explore whether they wish to be included in the notification of the commencement of development sites which is circulated by the council Building Control team</p>	3	08/08/2021	Pending update	Planning Obligations Manager, Economy & Place

Building Maintenance & Cleaning Agreement	We now have five months of data on costs, so an accurate forecast has been agreed and loaded into Business World for the remainder of the year. The model for budgeting and forecasting in Herefordshire Council will be applied to this service area from 1st September 2021, with all costs being recorded through Business World in the council ledgers.	2	30/09/2021 revised to 31/03/2022	Finance systems are in operation though there remain some issues with the BW system and a Finance cluster group that reports to the Ops Board has been established to work through the issues.	In progress	Strategic Property Services Manager, Economy & Place
Support for young people who are NEET	A performance target will be determined and implemented – this will require sign-off by senior leaders.	3	31/07/2021	Complete		Admissions & 14- 19 Manager, Children & Families
Support for young people who are NEET	A performance measure and target will be determined and submitted to senior leaders for consideration.	3	31/07/2021 revised to 31/01/2022	An Educational Priority Plan is being developed which includes NEET. The NEET measure and target will be informed by this work	In progress	Senior Adviser Post 16 Learning and Skills, Children & Families
Support for young people who are NEET	Removal of the current page has already been requested. As part of the Youth Hub project a new landing page for young people will be included on the Council's website.	3	31/05/2021 revised to 31/12/2021	Web pages have been updated accordingly and will continue to be kept under review as provision and information changes. The youth employment hub landing page was subject to securing funding for the youth employment hub. This was agreed 20 July 2021. Work has been concentrated on accommodation for the hub and employing a co-ordinator. The landing page development will be carried out once co-ordinators in place. The landing page will now be on the Talk Community website.	In progress	Senior Adviser Post 16 Learning and Skills, Children & Families

Capital Programme/Capital Projects	Version Control A documented Programme Management Office version control protocol has been introduced. All documents on the intranet site will be updated to reflect the version control protocol. Project Type Within the Project type document the column deadline field for 'Solely Partner Managers' will be updated to include long term projects, as well as those of lesser durations. Process Maps The document on the intranet to include short-, medium- and long-term projects, that in duration may take anywhere from between 6, 12, 18 or 24+ months in duration depending on the nature of the project. Additional process maps will be drafted once relevant processes are identified.	3	30/09/2021	Complete		Portfolio Manager, Corporate Centre
Quality Development Framework (Adult Social Care)	The Practice Standards Lead is updating the audit tools to include version control and other revisions. A meeting is arranged with the Intelligence Team to determine the timescale for the revised templates to be installed on SNAP, the audit software. The existing audit templates will only continue to be used during July 2021 the date of the finalised audit report. Owing to lower staffing during August no audits are in the approved audit plan. It is anticipated that the revised templates will be in place by 1 September 2021 ready for use that month.	3	01/09/2021	Complete		Head of Business Delivery and Practice Improvements, Adult & Communities
Supervision Process (Adult Social Care)	<ul style="list-style-type: none"> Agreed to amend documentation to reflect point 1 Further reminders will be sent to all staff that new documentation should be used. Future audits will test compliance 	3	Immediate	Complete		Head of Business Delivery and Practice Improvements, Adult & Communities
EHC Plan - Annual Review	Further investigation is to be undertaken by the service area on the 47 EHC Plans not recorded on the Synergy system as having an annual review.	2	31/07/2021 revised to 05/11/2021	Due to pressures in the business support team investigation into the 47 cases has not commenced. Until this is completed the other recommendations linked to this actions cannot be progressed	In progress	Senior SEN Officer, Children & Families

EHC Plan - Annual Review	To look at the data analysis completed to understand which cases did not meet the timescale, to understand why the timescale was not met in order to ensure that the system can provide fewer cases out of timescale.	3	30/09/2021 revised to 19/11/2021		In progress	Senior SEN Officer, Children & Families
EHC Plan - Annual Review	1. Review of workflow to see if it can be improved to streamline the process so it is more user friendly. 2. Training of officers on the new workflow process.	3	30/09/2021 revised to 31/12/2021		In progress	Senior SEN Officer, Children & Families

Appendix C – Recommendations due in the future

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
s106 Agreement	<p>1.1 It is agreed that information in relation to section 106 monies held by council should be reported on a biannual basis to senior management.</p> <p>The council produces an Authority Monitoring Report and this report could provide the basis for a new Management Board report which would offer a more holistic view of the status of all S106 agreements expenditure and activity. The report could also include the following information:</p> <ul style="list-style-type: none"> • Existing balances for all Section 106 agreements with monies exceeding the expiry date clearly identifiable. • Date money received. • Repayment date for money received. • Number of year's unspent money held. • Action outstanding for each S106 agreement contribution received, including known reason for money unspent. <p>The councils Project Management Team (within Corporate Services) are in the process of reviewing the Management Board structure and processes of the council. The Planning Obligations Manager will contact the Head of Project Management to draw to their attention the need to report corporately on the status of section 106 contributions so that they can consider which management board would be appropriate for the information to be reported to.</p> <p>A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss who may report to the Board and</p>	2	08-Feb-22		In progress	Planning Obligations Manager, Economy & Place

	<p>how information is populated for the report. Initial contact has been made with the Business World support team to look at the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.</p>				
s106 Agreement	<p>1.3 Initial contact has been made with the Business World support team to look at the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.</p>	3	08-Feb-22		In progress Planning Obligations Manager, Economy & Place
Significant Partnerships	<p>1.3</p> <ul style="list-style-type: none"> • For the summary of partnerships to be published as part of papers to Audit and Governance Committee, • For a simplified significant partnership register to be published but include links to relevant websites, • Evidence of Terms of Reference review and updated when necessary (subject to audit). 	2	31-Jan-22	Complete	Assistant Director Corporate Support, Corporate Centre

Significant Partnerships	1.1• Clarify the definition of a significant partnership and evaluate the refresh required to the Partnership Governance Framework to meet the current and future needs of the Council,• Consideration should be given to the presentation of a revised documentation to improve the readability for the intended audience and ensure that good governance management is incorporated into the guidance including a header page, table of contents, document owner, review date and version control,• Effective PGF communication so all link officers of significant partnerships and the management board are aware of the Partnership Governance Framework document, so an improved response to the annual assurance process is achieved,• Training / guidance on the completion of the annual checklist for significant partners should be completed prior to the 2020-21 annual assurance activity.	2	28-Feb-22		In progress	Solicitor to the Council, Corporate Centre
Council Tax	Account and property notes are not consistently added to the system resulting in the audit trail being incomplete. This could result in potential errors or omissions being made.	3	31/12/2021 revised to 31/03/2022	Due to the large workload in planning, the reporting of new properties has been increased to within 10 days. Target date extended to 31/03/2022	In progress	Revenues Manager, Hoople
Council Tax	Housekeeping issues were identified including: <ul style="list-style-type: none"> • some updating to procedures required, • recording the account reference on the Building Control Commencement List. 	3	31/10/2021 revised to 31/03/2022	Due to ever the increasing workload and the pausing of the Planning project again due to the large Document Management replacement project, this is still work in progress and therefore Target date extended to 31/03/2022	In progress	Council Tax and Business Rates Team Leader, Hoople

Accounts Receivable	Reporting procedure – the actual process for reporting is a historic one and needs a complete review. The Revenues Manager will look to utilise a new report that has been produced for aged debt that provides debts by cost code rather than collection code, giving more reliable figures; therefore, more precise. Once checked the Revenues Manager will produce a new procedure note with a more simplified process. Debt Recovery Policy – Covid response work has delayed the scheduled update of this policy until November 2021. This will be dealt with by Josie Rushgrove Court Process – Discussions have started, and the agreed process will be included in the Debt recovery Policy as this too has been delayed due to Covid response work.	2	30/11/2021	Reporting - a cost code report is issued monthly from the Business World Support Team and emailed direct to myself. We are currently now using this to pull precise information for the monthly Property Services reporting. I have also had a discussion with Kim Wratten on using the cost code report for Adult Social Care reporting. The above two areas are the main, more complex that needed addressing as they were the areas of concern using the historical collection code reports. The historical reporting is still currently being utilised, however as we move forward and more time is provided to review older cases the reporting will be amended and a procedure note for use written. Debt recovery policy - completion Nov 21 and project underway	In progress	Revenues Manager & Head of Corporate Finance, Corporate Centre
Commercial/Strategic Investments	This will be addressed at the next review and update of the Council's Financial Procedural rules and processes updated as required.	2	31/01/2022		In progress	Head of Corporate Finance, Corporate Centre
Supporting Families - Q1	The step down process is now embedded in a workflow in Mosaic and the Early Help Co-ordinator Team Manager has a list taken from Mosaic each month of those cases where the process has been started but not completed, so we can close the loop on step down cases. All social care cases are being audited by a special team, being brought in to do the work on the request of the Chief Executive following the recent court judgement. All cases which social care wish to step down to early help will be taken to a joint meeting, early help will be able to challenge and not accept a case if appropriate. This will be part of the new Early Help Framework to be drafted by the end of October 2021.	3	31/12/2021	Early Help Practice Framework is being drafted including the Step down process. Interim measure is that the Early Help Service Manager will oversee the step down process and review individual decisions where there is a dispute in respect of application of threshold.	In progress	Early Help Manager, Children & Families

Building Maintenance & Cleaning Agreement	The Service Level Agreement will be updated to incorporate the Building Maintenance and Cleaning service by the end of December 2021. This will be implemented by Hoople and Property Services in conjunction with the Council's Finance Dept.	2	31/12/2021	Regular meetings are being held by Property Services and Hoople with the aim to agree what need to go into an Appendix so that The Service Level Agreement can be updated to incorporate the Building Maintenance and Cleaning service by the end of December 2021.	In progress	Capital Programme and Maintenance Manager, Economy & Place
Building Maintenance & Cleaning Agreement	Specifications are now being produced to align with the procurement plan set out. The procurement plan provides a program to safeguard that all contracts are awarded prior to end of waiver dates of March 2022, except for UPS and one that combines CCTV /Door Access Controls/Fire-Security Alarms Maintenance which have end wavier dates of March 2023 and September 2022 respectively. A slight delay has occurred on one contract (Caple Security) where a six month waiver was provided. This was due to the need to review the requirements in more detail and resource issues which have delayed the tender process. Notwithstanding this the specification has been written, work packages have been pulled together, for economies of scale, to help mitigate any consequential costs due to the delay. A further waiver has been produced to extend this one contract for 3 months to allow for a due tender process to be carried out and a contract in place for January 2022. Weekly meetings are being undertaken to monitor progress against the program to ensure all other contracts meet the deadlines.	2	31/03/2022	Weekly meetings are being undertaken to monitor progress against the program to ensure all contracts meet deadlines. However Hoople who are undertaking the procurement process have reported that two key members of staff have left which might have an impact on the procurement timeframes for some of the contracts to meet the dead lines. Hoople have advised that they are recruiting to refill the two key posts. In addition those services to be procured have been prioritised such that those of high value and or are have a statutory compliant element will be dealt with first, while those of lower value would be dealt with later on in the procurement process.	In progress	Capital Programme and Maintenance Manager, Economy & Place

Building Maintenance & Cleaning Agreement	The Operations Board will report to a Strategic Board that is presently being established, with the view that the Strategic Board will meet quarterly, though this is to be finalised. The client side representation on the Board is in the process of being determined and may be subject to change due to the redesign of Property Services.	3	31/12/2021	The Strategic Board is being established and draft ToR's circulated for agreement. The establishment and operation of the Strategic Board remains on target.	In progress	Strategic Property Services Manager, Economy & Place
Payroll	The monthly holding account reconciliation process is to be improved by including oversight and support in the corporate finance team. The Corporate Finance Team resource is expected to start to pick up and address this from December 2021.	2	31/12/2021		In progress	Head of Corporate Finance, Corporate Centre
Payroll	The SOPS mainly consist of screenshots from BW however a member of the team has been tasked to standardise the format, add review dates and use generic job titles.	3	31/12/2021		In progress	Payroll Manager, Hoople
Payroll	We continue to chase new starters for their contracts, however this is an ongoing issue. We do specify that signed contracts must be returned and we usually request this prior to the start date. We also ensure that the recruiting manager is aware if a signed contract has not been returned, so that they can also discuss with the employee.	3	31/12/2021		In progress	Resourcing Manager, Hoople
Payroll	This will need to also be agreed by Herefordshire Council in terms of the process for managers and how this is communicated. This circumstance occurs very rarely so discussion as regards how this is managed would be required.	3	31/12/2021		In progress	Resourcing Manager, Hoople
Capital Programme/Capital Projects	It will take time for the new project management process to become fully embedded, with adjustments necessary to fulfil operational requirement. Therefore, it is anticipated that sufficient progress will have been made to undertake a further audit during quarter 2 2022/23.	3	31/07/2022		In progress	Chief Finance Officer, Corporate Centre

Climate Change	Annual Performance Report Procedures To prepare the Annual Performance Report Procedures. Approval of the Annual Performance (Green House Gas Emissions Report) A formalised approval process will be put in place for the future.	3	31/01/2022	Complete		Head of Climate and Waste Services, Economy & Place
Climate Change	Information Source and Contract Spreadsheet The spreadsheet will be updated and then attached to the Annual Performance Report Procedures once these are ready to be implemented. West Mercia Energy Consortium portfolio review Formalise actions will be recorded from the next quarterly review at the end of October 2021.	3	31/10/2021	Complete		Head of Climate and Waste Services, Economy & Place
Climate Change	Democratic services will be undertaking a review of all of the guides placed on the governance intranet to ensure that they are updated to reflect recent changes to report reviewing processes and that they take in to account any changes that will result from any council decisions to revise and amend the council's constitutional arrangements. Priority 3 SWAP Reference	3	31/12/2021		In progress	Democratic Services Manager, Corporate Centre

NDR	We had previously identified there was a delay in reporting to the VOA for new properties as part of a project we started and whilst there is not a timeline set by legislation, regulations or the VOA, we introduced a 7 day referral timeline as an in-house process. Unfortunately, due to Covid-19 the timeline varied due to the increase in workload due to the pandemic as more priority work needed to take place. The Planning Project (which includes Building Control) was in motion to review the full process of this and to see if tasks can be transferred to the administration team to reduce double handling of work and improve turnaround times, but this had to be paused due to the pandemic. The project has started again today (26th April 2021) and we have changed the timeline to 10 working days at present. This will be monitored and reviewed accordingly based on workload.	3	31/12/2021	The Planning Project continued for a short time and has now been placed on hold due to a new system being tested and implemented within Revs & Bens. However, I can confirm we are currently working within 10 working days for NNDR new properties and splits/mergers. I will continue to monitor this.	In progress	Revenues Manager, Hoople
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Adult Social Care - Provider Payments & Client Contributions	A plan is in place to reduce the volume of invoices on hold – although this is reliant on other areas/teams to take action to reduce the number of invoices. These actions include: • Monitoring the ‘held invoice’ list weekly and updating monthly by the transactional team. • The Transactional team working with individual providers, those with most outstanding, to reduce held invoices and advising on correct invoicing procedures to try and reduce issue reoccurring with future invoices. • Regular meetings with the commissioning and brokerage teams to discuss specific provider / purchase order issues. The invoice on hold list is now being sent to the brokerage team to review. This area of work will need to be reviewed as procedures will change with the implementation of the provider portal. There is a plan to include clear process for providers to follow when care provided is outside the purchase order. Rather than currently sending an invoice with the extra care on which does not match the purchase order and results in the invoice being placed on hold. These actions will be implemented immediately with the aim of reducing the on-hold list by the date identified below.	3	31/12/2021	Complete		Senior Transactional Finance Team Leader, Hoople
Adult Social Care - Provider Payments & Client Contributions	We are currently reviewing procedures due to the impact of primarily working remotely long term. As part of the implementation of the provider portal this review will be ongoing. We are expecting it to be completed by the end of December 2021. This is due to the portal not being live until November 2021 and to fit in with all workload and commitments.	3	31/12/2021	Portal is still in the implementation stage, so procedures have not been finalised fully at this stage. There is a delay in the portal going live which may impact on getting all the procedures reviewed by the end of December 21	In progress	Senior Transactional Finance Team Leader, Hoople

Adult Social Care - Provider Payments & Client Contributions	A full end-to-end process review will be carried out once the portal is implemented and embedded for residential and non-residential payment processes (including the payments to providers and raising of debts to clients). Consideration given to whether a flow chart to show the processes and how it moves between teams would be useful. The Welfare and Financial Assessment Team Manager welcomes internal audit involvement in the end-to-end process review. Discussions will take place with the Corporate Project Management Team to identify whether resources are available to support this review. It is aimed the portal will be live by November 2021. We will allow for a 6-month embedding process of the portal before the review is commenced, this accounts for the target date of May 2022	3	31/05/2022	The external provider portal weblink for non-residential care providers is live and ready for use pending some look and feel changes that the web team require. On boarding of providers under the new home care contract will commence during November. Residential processes are less critical and will not be brought into the portal until next financial year.	In progress	Head of Prevention & Support & Welfare & Financial Assessment Team Manager, Adults & Communities
Adult Social Care - Provider Payments & Client Contributions	A full review of the recovery procedures will be undertaken (as part of the end-to-end review), and this will include the inclusion of social care debt recovery. However, for this to be completed a full review of the responsibilities of the Revenues Officers needs to be undertaken to ensure the procedure notes captures all areas fully (covered in point 4 of other considerations below). The timescale was agreed at the adults DLT meeting in line with the embedding of the provider portal. It is hoped it will be completed prior to this.	3	31/05/2022	A Project Lead has now been appointed and weekly meetings are now taking place to review the processes followed by ASC and Revenues	In progress	Revenues Manager, Hoople

<p>Adult Social Care - Provider Payments & Client Contributions</p>	<p>Debt Recovery Initially with the introduction of the new debt recovery process it was identified that two additional members of the team would be sufficient for the workload at that time. However, with Covid and an increase in Telecare invoicing it is clear that two FTE equivalents may not be enough. The Revenues Team are therefore using resource from within the team to assist in certain elements of the social care process to include invoicing and chasing. This increase has also been impacted by the lack of social care knowledge within the Revenues Team and the uncertainty of where their responsibilities lie. Currently they are trying to cover all areas to include for example referrals for safeguarding and locality teams. This will be vastly improved once the procedures are set in stone as detailed above. Suppressed invoices A change in system will be required to allow for the suppression of accounts, however there will be differing elements required to ensure this does not prevent other functions on the account working (for example direct debits for future invoices raised following a query on an older invoice). I will liaise with Business World Support to see if the current hold functionality can be improved upon, or a new process is required. The timescale was agreed at the adults DLT meeting in line with the embedding of the provider portal. It is hoped it will be completed prior to this.</p>	3	31/05/2022	<p>Processes - as mentioned above a Project Lead is now in place to review the processes for Revenues. Suppressed accounts - an e-mail has been issued to Business World Support to see if anything can be changed. They have confirmed there is a potential way that can be done which needs to be tested further. They have also confirmed that should this work they should be able to produce a report run on this status - again will need to be tested.</p>	In progress	Revenues Manager, Hoople
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Adult Social Care - Provider Payments & Client Contributions	<p>Adult Social Care Aged Debt – Reporting I can report using either collection code and cost code, however, I feel the cost code report is more reliable as collection codes may be incorrect (for example where a homecare client is also being invoiced for Telecare - this may be set up as FCH or STE. This can be identified by interrogating the reports and looking at the invoice amounts however this is time consuming). I will liaise with the Finance Manager and discuss whether the cost code reports would be more beneficial.</p> <p>Mosaic Debt Recovery Workflow – Reporting I will liaise with the Mosaic team regarding a better functionality, however not knowing Mosaic as well as other systems I would have to rely on their advice regarding additional statuses. I had already approached Mosaic prior to Covid to ask if this was possible, however was unable to continue with these discussions due to a change in priority. I will now look to move this forward again. Link from Business World to Mosaic This will require two steps. The first is Mosaic – please see above for debt recovery workflow reporting. Secondly - Business World – I will liaise with Business World to see if an alternative status code can be set up for these. If both are successful a cross reference can be done on a monthly/quarterly basis. Update of coding within Business World An initial report will be run to identify cases with CCV and SCV and where possible changed to FCH or CHM. On a monthly basis when the aged debt reports are run any cases with CCV and SCV will be identified and changed at that point – meaning new cases can be picked up within a month of creation. The timescale was agreed at the adults DLT meeting in line with the embedding of the provider portal. It is hoped it will be completed prior to this.</p>	3	31/05/2022	Monthly report - Discussion has been held with Finance Manager and the cost code report is being sent each month.Mosaic and BY reporting - still need to liaise with both teams to move this forward.	In progress	Revenues Manager, Hoople
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<p>Adult Social Care - Provider Payments & Client Contributions</p>	<p>Welfare & Financial Assessments Team Manager: We are reliant on input from Business World Support and IT with the implementation of these modifications so I will need to check if these plans are still in the BW support team programme for modification before a timescale can be provided. In line with the end-to-end review outlined above discussions will take place to identify whether project management resources could be assigned to this. It is noted a project manager was assigned to this work previously. As these elements are system dependent timescale of completion is difficult to identify however these issues will be raised with relevant parties by the timescale identified below with the aim of completing the action by March 2022. Statements Revenues Manager: This work is on-going with Business World – whilst the statement is in the system its current issues are where credits have come through as sales orders therefore will not identify on the statement as a credit. The statements will only prove useful where a client is up to date on their account, or all credits and debits are separated (which should be the case moving forward now those issues have been sorted). There also needs to be some discussion as to resource for the creation of these statements as this is currently a manual process by going into each individual account and requesting a statement; therefore, the frequency of these statement runs could impact on debt recovery. A discussion will be needed on these elements. Residential Credit Debit Issue Revenues Manager: this has in the most part been sorted recently, however there still lies some issues with the loading of these invoices. The most recent runs have required Business World intervention whereas they should follow the same procedure as home care invoicing. This is being looked at. Addition of Mosaic ID This will greatly assist in the debt recovery process and will reduce search time for the Revenues</p>	3	31/05/2022	<p>The interface billing processes from Abacus and Mosaic systems to Business World now successfully split debit and credit transactions before posting. Project Lead - this has been assigned and weekly meetings are taking place to review the processes. Statements - recent e-mail communication with BW advises that the formatting of the statements is currently the final element required for this. They were due to speak with Tech4 in regards to this, this week. Once this is sorted statements will be ready to be produced and then resource and timelines of when these should be produced can be had. Credit/Debt issue - All credits for ASC are being raised separately from debits which makes processing these less time consuming for Revenues and easier to understand for the customer. As mentioned if any do get stuck they are easily identified and raised.</p>	In progress	<p>Revenues Manager & Welfare & Financial Assessments Team Manager, Adults & Communities</p>
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	<p>Officers. Business World Support will need to liaise with Mosaic on this implementation with the assistance of myself and the Welfare and Financial Assessment Team Manager. Real-time interface Revenues Manager: Currently the Revenues Officers are reliant on the information on Business World being correct however there are several times where details will be updated on Mosaic and Revenues are not advised, which in turn can cause upset to customers and more work for Revenues. If the real-time interface can be introduced this will reduce any risk of incorrect information being used. Discussions will be needed between myself; the Welfare and Financial Assessments Team Manager and the system supports. Welfare and Financial Assessments Team Manager: I believe a corporate CRM system is now being considered if this is going to feed all other council systems the real time interface will not be required. I will try and find out when this is likely to be implemented. This action will be taken to and discussed at core DLT.</p>					
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<p>Adult Social Care - Provider Payments & Client Contributions</p>	<p>The Director for Adult Social Care has requested that this data analysis be re-performed by the Senior Transactional Finance Team Leader & Welfare & Financial Assessments Team Manager with the data set for the last few months. This will ascertain the full extent of the issue. The Director for Adult Social Care is concerned that the data provided was not accurate for this analysis to be completed. Further investigation will take place to ascertain why there are 16 clients with 0 planned care in the system.</p>	<p>3</p>	<p>31/10/2021</p>	<p>Further investigations into the 16 cases with 0 planned care have been completed. There were no payment issues highlighted as all cases where payment was made had planned care, but it was not recorded in abacus. Where payment was made through block contract arrangements, the services had been recorded for charging purposes only. Purchase data from Mosaic will be automatically loaded for invoice purposes with implementation of the provider Portal. Further analysis has been undertaken on 13,891 home care services delivered from w/e 2/5/2021 to 11/07/2021. Headline data shows 74.49% delivered at planned, 1.60% above plan, and 23.91% under plan. More detailed analysis on care delivered over/under plan will be undertaken and shared with commissioning/contracts by 30 December 2021.</p>	<p>In progress</p>	<p>Senior Transactional Finance Team Leader & Welfare & Financial Assessments Team Manager, Adults & Communities</p>
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Title of report: Corporate Risk Register

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of corporate performance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To consider the status of the council's corporate risk register in order to monitor the effectiveness of risk management within the performance management framework.

Recommendation(s)

That:

- a) **The committee determine any recommendations it wishes to ensure effective risk management.**

Alternative options

1. The committee could choose not to review the Corporate Risk Register. This is not recommended as regular monitoring should provide assurance that risk is being managed effectively within the council.

Key considerations

- In accordance with the council's Performance Management Framework (PMF) and associated Risk Management Plan, it is the committee's role to ensure that risk management is effectively managed and in line with the processes set out in the PMF.
- Risks are identified as part of daily council business, self-assessment as part of business planning processes, as well as a result from regulator and audit activity. As these risks are identified, they are scored based on the likelihood and impact, using the methodology within the Risk Management Plan (RMP). Risks are reported and escalated based on their residual, or current score. The council's Corporate Risk Register therefore holds the highest, most immediate risks across the organisation; the table below provides a summary of risks based on their scores, the associated monitoring required and the action necessary.

	Green	Yellow	Amber	Red
	Low	Medium	High	Extreme
Score	1 – 4	5 – 8	9 – 15	16 – 25
Register*	Service		Directorate	Corporate
Action	Unlikely	Might	Should	Must
Review frequency	Quarterly	Monthly	Monthly	Monthly

* NB: Risks that appear on the Corporate Risk Register will also appear on their relevant Directorate and Service Risk Registers

- It is the responsibility of risk owners to ensure that risk scores are regularly reviewed and scores, controls and future mitigating activity are updated where necessary.

Corporate risk register

- The heat map below shows the current risks on the council's Corporate Risk Register as at the end of September 2021. References and the full details of the risks can be found at appendix A. At the request of the committee, changes in the Corporate Risk Register have been identified in red text in the appendix.

Corporate Risk Register - September 2021

		IMPACT			
		4		5	
LIKELIHOOD	5				
	4				
		Directorate RR (9 - 15)	Service RR (5 - 8)	Service RR (1 - 4)	Closed
				CRR.59	

-- No Change
 E Escalated
 D De-escalated

★ New in quarter
 ↑ Residual Risk Increased
 ↓ Residual Risk Decreased

6. Since the last report to committee (risk registers @ July 2021), there has been 1 corporate risk closed, 2 new corporate risks and 3 risks escalated to the corporate risk register, as follows:
- The risk in relation to the sustainability of a care home has now been closed. The care home closure has been managed during the last quarter (CRR.59)
 - A new risk in relation to the availability of HGV drivers and labour to support waste collections (CRR.62)
 - A new risk in relation to the integration of the Multi Agency Safeguarding Hub which receives referrals in to childrens social care (CRR.65)
 - An escalation of the risk of the workforce which supports the social care provider market (CRR.61)
 - An escalation of the risk in relation to land payments for the Hereford City Centre Transport Package (CRR.63)
 - An escalation of a risk around recruitment and retention of social care staff and other key roles in childrens services (CRR.64)
7. The table below provides a breakdown of the current corporate risks by directorate, as well as the number of risks currently being managed at directorate level.

	Corporate Risks	Directorate Risks*
Adults & Communities	1	17
Children & Families	4	9
Economy & Place	2	32
Corporate Support	0	32
Total	7	90

* Includes corporate risks

8. Directorate risk registers can be found at appendix B – E. A summary of changes across directorate risk registers is found in the table below.

	Adults & Communities	Children & Families	Economy & Place	Corporate Centre
New risk	1	1	4	2
Closed risk	1		3	1
Escalated	2*	1*	3*	4*
De-escalated from DRR.			1	
Increased score		1		
Reduced score		2		1
No change	14	5	25	25

* Some risks have both increased in residual score and escalated to the Directorate Risk Register; in this instance, the table above only counts these risks in the escalation row.

COVID-19 risk register

9. A separate COVID-19 risk register continues to be held in order to monitor risks in relation to the council's response to the global pandemic. These risks form part of regular reviews in the council's gold command meetings; this approach has been taken to allow a flexible approach

to risk management. Risks have been aggregated in to wider risk groupings (e.g. risks to our staff), which have then been scored.

Severity of Risk	Number of risks
Low risk	0
Medium risk	6
High risk	3
Extreme risk	3

10. The heat map below shows the current risk ratings of risks held on the COVID-19 risk register. Movement on this register is noted using a similar approach to the corporate risk register above. Reference numbers and details on the risks can be found at appendix F.

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Significant
Likelihood	5 Certain					CV4 --
	4 Likely			CV12 --		CV3 -- CV8 --
	3 Possible					CV9 -- CV10 --
	2 Unlikely			CV1 -- CV6 -- CV7 --	CV2 -- CV11 ↓ CV13 --	
	1 Rare					

11. As demonstrated in the above, there has been limited movement on the overarching risk score of the council’s risks associated with COVID-19. This might be expected as the country has reduced restrictions, although local monitoring of the prevalence and the associated risk and impacts is regularly monitored through gold and silver commands.
12. Since the last report to committee, one risk has reduced its residual score; missed education for Herefordshire learners (CV11) has reduced as children have returned to schools for the autumn term. Schools maintain the ability to provide online learning, children no longer have to self-isolate as a close contact reducing the amount of education missed and communications to parents/carers in relation to the measures in place and the safety measures families can implement to reduce the likelihood of spread through schools.

Community impact

13. In accordance with the principles of the council’s adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective risk management is an important component of this performance management system.

Environmental impact

14. This decision itself has minimal environmental impacts, however effective risk management will increase the likelihood of the council achieving its strategic objectives, including to “protect and enhance our environment and keep Herefordshire a great place to live”.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

16. There are no equality duty implications arising from this report.

Resource implications

17. There are no resource implications arising from this report, however effective risk management should increase the likelihood of the council delivering its budget.

Legal implications

18. None.

Risk management

19. There are no direct risks as a result of this report. It is clear that we still have some way to go to embed the new approach. By reviewing the corporate risk register on a regular basis, greater assurance is given that the council manages its risk effectively.

Consultees

20. None

Appendices

- Appendix A Corporate risk register
- Appendix B Adults and communities directorate risk register
- Appendix C Children and families directorate risk register
- Appendix D Corporate centre directorate risk register
- Appendix E Economy and place directorate risk register
- Appendix F COVID-19 risk register

Background papers

None

Ref	Risk Description	Opened	Risk score before controls (LxC)	Existing Controls in Place	Risk score after controls (LxC)	Risk Appetite	Further actions required	Risk Owner
CRR.52	High Risk Notable Cases within the courts IF: the current cohort of High court notable cases in respect of legacy practice results in a further critical judgement THEN: Herefordshire council may face human rights cost claims and formal DfE statutory intervention	Aug-20	25 (5*5)	Service level protocol in development with legal services setting out legal support and overview and scrutiny through the director of children services and the head of legal services including fortnightly meetings between the client and provider (children services and legal services)	20 (4*5)	Further mitigation required	Learning review currently being undertaken by experienced former DfE Commissioner commissioned by the Chief Executive	Director Children & Families
CRR.60	Development of Sufficiency strategy to support best value model IF: the sufficiency strategy is not effective in a timely manner in order to meet outcomes for C&YP THEN: high costs demands in order to meet service need will continue within the budget	Jun-21	25 (5x5)	Panels have been implemented to ensure robust monitoring and approval of all placements.	20 (4*5)	Further mitigation required	Working with Adults All Age Commissioning to support the review of contracts and inform future sufficiency and needs. A new sufficiency strategy in development. Reviewing of current contracts to ensure value for money. Developing a recruitment and retention model to increase fostering, short breaks / respite provision and emergency foster care.	Director Children & Families
CRR.61	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be a significant impact on availability of services - this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes.	Mar-17	16 (4x4)	External market workforce project launched. The council is in receipt of a £450,000 workforce development grant series of work streams using this funding are about to commence. It will now work collaboratively with local NHS partners and others to deploy innovative and proactive approaches to attracting people to careers in the Health and Care sectors. Regular provider forums with commissioned services and close monitoring of market capacity and responses.	16 (4x4)	Further mitigation required	Ensuring that the Adult Social Care agenda is high on priority list for other Directorates and wider system partners. Working with economic partners on master planning to shape the future market. The council will use its new contractual arrangements from 2021 onwards to support the care sector in sustaining and developing the workforce by encouraging providers to enhance the terms & conditions and pay rates of care workers. Taking all opportunities to highlight through regional and national networks the need for different approaches to enabling sufficient supply of workers into the care workforce.	Director of Adults & Communities

CRR.62	<p>Waste collectoins - HGV drivers and labour availability IF: FCC Environment continue to see high absence levels and are unable to recruit to HGV driver and labourer positions THEN: This will severely impact the waste collections service. This is likely to become a larger and more significant risk as we approach Xmas when there is more competition for HGV drivers and the national shortage is unlikely to be resolved.</p>	Oct-21	16 (4x4)	<p>FCC Environment increased their salary offering for HGV drivers in Sept and are actively recruiting on a continual basis.</p> <p>They are however having limited success as a number of applicants are declining posts after inductions</p>	16 (4x4)	Further mitigation required	<p>Discussions have taken place between FCC and BBLP to consider the possibility of shared staffing arrangements but this is work in progress and unlikely to be a quick solution.</p> <p>Where we are experiencing a reduction in available crews service provision has been prioritised as per our business continuity plan - eg bin swaps postponed in favour of household collections. However this is causing a back log in bin deliveries.</p>	Director of Economy & Place
CRR.63	<p>Hereford City Centre Transport Package IF the balance of land payments and costs for the BP garage and associated interests (Arrow Plant & Lincon Properties) is higher than the allocated budget THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further reduction was too significant then it may not be possible to meet the objectives of the business case without further capital funding.</p> <p>This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.</p>	Oct-21	20 (4x5)	<p>Continue to pursue a negotiated settlement in conjunction with specialst agents. Consider mediation as an alternative to settling through upper land tribunal Seek specialist CPO legal support to rebute claim through tribunal.</p>	16 (4x4)	Further mitigation required	Weekly discussions continuing with LSH, PM and BW. Further planning and Counsel advice being sought.	Director of Economy & Place

CRR.64	<p>Inability to recruitment and retain social care staff and other key roles within the service</p> <p>IF/AS: Unable to retain and recruit social care staff and other key roles</p> <p>THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved</p>	Jun-21	20 5*4	<p>A refreshed approach to communicating with staff has been put in place to encourage open and honest conversations throughout the service, this should help with retention as we will better understand our workforce.</p> <p>We have a small, dedicated recruitment team in Children's Services to ensure recruitment is consistently done in a timely manner</p>	16 (4x4)	Further mitigation required	<p>Develop a unique employer identity and recruitment microsite</p> <p>Refresh our regional comparator work to understand how our total reward package compares to others in the region - look at other features and benefits e.g. green lease cars</p> <p>Explore a strategic partnership with Community Care to raise the profile and reputation of Herefordshire regionally and nationally</p> <p>Complete the job families and career progression work; ensure the learning offer supports this; advertise as part of our employment offer</p> <p>Use up to date research to understand generational and cultural needs of our own and prospective staff Get the People and OD strategy signed off and agree the action plan for the remainder of the year</p>	Director Children & Families
CRR.65 239	<p>Multi Agency Safeguarding Hub</p> <p>IF/AS: We do not create an integrated MASH then there will be inconsistent decision making will occur</p> <p>Then: Children will not be safeguarded in a timely manner</p>	Oct-21	25 (5x5)	<p>All referrals are now monitored by social work manager; new MASH Safeguarding board monitoring development and progress; Improve decision making</p>	16 (4x4)	Further mitigation required	<p>Need to identify a location for the new MASH and get partnership sign up to new processes. Ensure that all partners have appropriate staffing capacity / IT access in new location</p>	Director Children & Families
Risks De-escalated from the Corporate Risk Register								
Closed risks								
CRR.59	<p>Sustainability and closure of a Care Home.</p> <p>We have been notified by a care provider that they wish to cease trading after September 2021. At this point due to sensitivity we cannot name this care home but the closure will reduce bed capacity by approximately 30 beds. The home houses a number of vulnerable individuals and loss of their home could lead to a deterioration of their health and well being. The closure of a care home is always a operational and political issue and will inevitably lead to some potential for reputational damage of the council.</p>	Jul-21	25 (5x5)	<p>The provider and the council worked closely together to minimise the impact of the closure. Led by commissioning in collaboration with ASC operations all residents were reviewed and families will be supported to find alternative accommodation where required. The council has a well established and commented provider failure protocol which has been used successfully previously and will form the basis of the work to facilitate the seamless closure of this home</p>	4 (2x2)	Further mitigation required	<p>This risk has now been closed. Care home has closed and all residents were found new homes of their choice that met their care and support needs. Families, residents the NHS and the Council worked collaboratively.</p>	Director of Adults & Communities

Adults & Communities Directorate Risk Register Quarter 2 2021

		Impact			
		2	3	4	5
Likelihood	5				
	4	N/A		AC01 *	
	3	N/A	AC.09 -- AC.10 -- AC.11 -- AC.12 -- AC.13 --	AC.14 -- AC.15 -- AC.16 E AC.17 *	AC.02 -- AC.03 -- AC.04 -- AC.05 -- AC.06 --
	2	N/A	N/A	N/A	AC.07 -- AC.08 --

Reference	Description	Corporate Risk
AC.01	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there will be a significant impact on availability of services - this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes.	CRR.61
AC.02	Conclusion of NHS funding for discharge to assess. WHEN The current NHS funding of discharge to assess model to manage hospital discharges during the COVID-19 outbreak concludes September 2021 (extended to early 2022). THEN without sufficient capacity and appropriate funding of pathway resources for example, bedded care that can be accessed in a timely way; responsive and safe discharge outcomes for patients may not be achieved.	
AC.03	Talk Community IF Talk Community is not adopted by internal and external partners to address the population health, inequalities and well-being agenda THEN the support to the residents of Herefordshire could be less effective and impactful and the Talk Community strategy will not be implemented.	
AC.04	Staffing and Recruitment for Occupational Therapy OT recruitment is on the national shortage list. Herefordshire has a number of OT vacancies. IF the current vacancies are not filled THEN this could impact on service delivery and staff health and well being	
AC.05	Talk Community IF the facilitation and coordination of the voluntary and community sector isn't developed THEN the growth in the sector will be disparate and gaps in support will increase.	

AC.06	Staffing & Recruitment IF: we are unable to recruit to key operational worker roles THEN there will be a risk to delivering our services placing residents at risk	
AC.07	Access to Health funding (CHC and joint funding) Herefordshire remains in the bottom quartile of cases fully funded meeting CHC eligibility. IF CCG continue to not accept that there are any process or decision making irregularities influencing this trend THEN it remains the fact that ASC are funding above other Local Authorities per 1000 population. Meaning ultimately Herefordshire citizens and the Local Authority potentially are funding Healthcare which should be free to the individual at the point of delivery. Currently the CCG is disputing the Local Authority peer challenge feedback.	
AC.08	Continuing budget pressures and future of ASC funding IF: There continues to be uncertainty around the future and sustainability of adult social care funding, THEN the risk of not meeting statutory functions increases as does the risk of failure within the reliant social care economy in the county, such as care homes. In addition, the opportunity to re-model the way we provide services is limited	
AC.09	Talk Community IF the development and growth of the volunteer base across the county doesn't increase within all demographics THEN the opportunity to develop support through volunteers will reduce and impact on areas of future delivery.	
AC.10	Talk Community IF the voluntary and community sector have reduced funding or funding ceases to organisations THEN the organisations and support will reduce across the county which will impact on supporting vulnerable people.	
AC.11	Demographic & Financial Pressures IF: financial and demographic pressures continue to rise and are not managed THEN: the council would be unable to meet it's statutory obligations in meeting needs, safeguarding and maximising independence for residents	
AC.12	Housing under "everyone In" arrangements: As part of the Central Government response to the coronavirus the Minister for Local Government and Homelessness required on 26 March that rough sleepers and other vulnerable homeless people were supported into appropriate accommodation with immediate effect. A similar approach was required in Winter 2020-21 under the Government's "Protect Plus" Programme. Herefordshire Council have housed around 100 people under these arrangements and over 50 remain accommodated in late January. Much of the cost of this accommodation can and will be recouped by Housing Benefit claims, but current analysis suggest that a shortfall of around £15,000 per week remains where housing benefit cannot be recouped	

AC.13	<p>Housing Benefit Decision Making; The recent pattern of decisions around housing benefits claims for supported housing raises continuing risk that commissioning budgets will need to carry higher levels of cost for services than in the past. Continuing concerns and formal representations from supported housing providers indicates risk of more services being withdrawn or providers not competing to provide them.</p>	
AC.14	<p>ICES Stock supply Due to the impact of COVID-19 and Brexit bent metal products supply chain is causing delays to orders being fulfilled to dates as prescribed.</p>	
AC.15	<p>Failure of a Care Homes With the national mandatory vaccination programme for staff, insurance issues and the National releasing of COVID-19 related deaths in Care Homes, this could put pressure on the workforce by loss of staff who still choose not to vaccinate and could increase voids which may make Care Home unviable.</p>	
AC.16	<p>Capital aspects of Project Brave - Multiple capital projects are key to delivering the long term and transitional housing essential for the Brave vision. IF the various barriers to capital funding or housing development delay the creation of additional accommodation at the required scale THEN revenue funding from Government maybe reduced particularly relating to the net costs of B&B accommodation</p>	
AC.17	<p>Domestic Abuse Act implementation IF the recent delays and imperfect clarity in relation to guidance and funding announcements from Government continue THEN it will remain challenging for the Council to ensure full compliance with the Act and coherent commissioning of new and sustainable services.</p>	

Children & Families Directorate Risk Register September 2021

		Impact			
		2	3	4	5
Likelihood	5		CF.06 --		
	4	N/A	CF.01*	CF.01 ↑ CF.02 ↓ CF.04 *	CF.03 --
	3	N/A		CF.07 ↓ CF.08	CF.05 --
	2	N/A	N/A	N/A	CF.09 --

Reference	Description	Corporate Risk
CF.01	Inability to recruitment and retain social care staff and other key roles within the service IF/AS: Unable to retain and recruit social care staff and other key roles THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved	CRR.64
CF.02	Development of Sufficiency strategy to support best value model IF: the sufficiency strategy is not effective in a timely manner in order to meet outcomes for C&YP THEN: high costs demands in order to meet service need will continue within the budget	CRR.60
CF.03	High Risk Notable Cases within the courts IF: the current cohort of High court notable cases in respect of legacy practice results in a further critical judgement THEN: Herefordshire council may face human rights cost claims and formal DfE statutory intervention	CRR.52
CF.04	Multi Agency Safeguarding Hub IF/AS: We do not create an integrated MASH then there will be inconsistent decision making will occur Then: Children will not be safeguarded in a timely manner	CRR.65
CF.05	School Assets IF: The condition of school estate continues to deteriorate with insufficient budget to maintain school assets proactively THEN: There may be an increase in costs due to unplanned significant spend	
CF.06	Special School Demand IF: Demand continues for special school places, we are not be able to place locally and we might run out of independent and non-maintained places within daily travel THEN: There is a risk to the High Needs budget which in turn carries a reputational risk, there is a risk	

	of legal challenge as we will not be able to meet need and children might unnecessarily be placed in residential disrupting family life	
CF.07	Storing and recording of records IF: We fail to store records in the correct manner and comply with information governance policy THEN: Critical key data in respect of the child's journey could be lost, mislaid or not used; which, would potentially impact on the outcomes for the child and family	
CF.08	ICT Systems IF: The technology ICT systems/ platforms are not utilised to the full potential THEN: We fail to provide consistent service delivery for children and families in Herefordshire	
CF.09	Non-Statutory Notice to improve IF: We are unable to demonstrate and or meet the Department for Education's (DFE) expectations as set out in the non-statutory notice to improve THEN: We could face more formal statutory intervention with the risk of the removal of children services from the councils control into a children's trust	

Corporate Centre Directorate Risk Register

Quarter 2 2021

		Impact			
		2	3	4	5
Likelihood	5		CS.01 --		
	4	N/A	CS.02 -- CS.03 -- CS.04 -- CS.05 -- CS.06 --	CS.07 *	
	3	N/A	CS.20 ↓ CS.21 -- CS.22 -- CS.23 -- CS.24 --	CS.25 -- CS.30 -- CS.26 -- CS.31 ↑ CS.27 -- CS.32 ↑	CS.08 -- CS.13 -- CS.09 -- CS.14 -- CS.10 -- CS.15 -- CS.11 -- CS.16 -- CS.12 -- CS.17 -- CS.18 ↑E
	2	N/A	N/A	N/A	CS.19 ↑E

Reference	Description	Corporate Risk
CS.01	<p>COVID 19</p> <p>AS: the global COVID 19 pandemic reaches Herefordshire</p> <p>Then: This will have a significant impact on council activities and the strategic priorities of the county. Staff will be redeployed and might be unable to work resulting in impact on front line services, delivery of care to vulnerable people will be compromised, non-urgent member decisions may be postponed, local businesses will be effected in turn impacting Business Rates & Council Tax. The impact on the health system will also cause additional strain on social care teams to respond.</p>	
CS.02	<p>Mandatory IG and IS Training</p> <p>IF staff do not complete their mandatory IG and IS training before being given access to business systems THEN this may lead to data breaches or the mis-management of information and risk referral to the Information Commissioner and/or legal challenge with resultant unbudgeted costs and reputational damage for the Council.</p>	
CS.03	<p>Fastershire delivery</p> <p>IF coverage and take up falls short of plans with the revised broadband strategy THEN premises will not be able to take up a service or make the most of investment in the fibre network effecting economic performance and community vitality.</p>	
CS.04	<p>New projects expectations and requirements</p> <p>IF insufficient capacity in procurement team to support due to increasing demand through new project and expectations THEN tender strategies and approaches may fall short of best practice and policy requirements.</p>	

CS.05	Legal resourcing IF inability to control external fees spend within allocated budget of £400k THEN risk of overspend	
CS.06	SARS Requests IF SARS requests continue to increase to the council THEN there will be increased workload for staff.	
CS.07	Access to the dentist IF access to dentists remains a challenge in the county, THEN there is a risk to the work to improve oral health which includes messaging about visiting dentists for check ups and access to fluoride varnish etc.	
CS.08	Covid impact on population health IF due to Covid, people's health got worse, THEN we will increase inequalities and have a negative effect on the whole system.	
CS.09	Recruitment Strategy IF: the council is unable to recruit and retain the level and scale of staff required across the organisation due to inability to attract and/or an unsustainable employable local demographic THEN: there will be insufficient staff to meet service demands; an inability to progress service development; and a financial implication of using agency staff/contractors.	
CS.10	Cyber attack IF: we do not protect against a potential cyber attack THEN: we could be at risk of losing data in breach of principle 7 of the Data Protection Act which would lead to potential fines from the Information Commissioner Office and reputational damage	
CS.11	Council Redesign/Resources IF: Reducing resources in the form of grant, uncertainty and the requirement to deliver transformation at speed combine THEN: there will be an risk of failure to meet statutory and/or legal duties and powers.	
CS.12	Risk of Challenge IF staff do not comply with the Contract Procedure Rules and Public Contract Regulations (2015) THEN there could be a challenge to the contract award process which could result in a failure to uphold the law, reputational damage and impact	
CS.13	Procurement Support IF tenders are not adequately planned or resourced reflecting addition in grant funded projects and new escalated delivery THEN there may not be sufficient resources within the team to support the procurement process, which could result in delays to projects, inadequate application of best practice, potential for mistakes, business continuity issues and delivery of council goals.	
CS.14	Industry Reconsultation on extension IF BDUK insist on reconsultation for extended contract for Stage 4 (based on threat to withhold all future funding) THEN the additional coverage will not materialise and supplier could claim a valid contract.	
CS.15	Records Management IF staff do not comply with records management policy, practice and procedures - including using the systems available THEN important	

	information can be lost including for court cases, subject access searches and FOI.	
CS.16	Major Capital Projects IF: We don't deliver Major Capital Projects within budget or within timescale THEN: this will lead to increased costs and reputational damage	
CS.17	EU exit IF: there is uncertainty, inflation and resource restrictions THEN: there may be an impact on the economic and social programmes of the Council and its partners which would impact affordability and result in resource gaps	
CS.18	NHS Health checks stopped due to service requirements during pandemic. IF these are not restored THEN there is the potential of high risk individuals not accessing prevention and support at an early stage to reduce or resolve potential long term health issues.	
CS.19	Evacuation of buildings IF we do not have sufficiently trained fire wardens to assist in the evacuation of staff from buildings during a fire THEN the employer may fail in their duty of care to make sure anyone using our buildings can safely evacuate	
CS.20	IT budget IF it is not clear on the spend for IT with links to contracted spend THEN there is a risk of overspend.	
CS.21	Public Health staff capacity IF PH staff capacity is not sufficient THEN we won't be able to deliver our objectives.	
CS.22	Covid 19 funding issues IF: Government does not fully fund the financial implications of responding to the Covid 19 pandemic THEN: we will overspend our revenue budget, placing pressure on revenue reserves and ultimately the financial failure of the council	
CS.23	Good decision-making IF: officers and members do not uphold the principles of good decision-making THEN: the Council may make poor decisions which either result in lost opportunities or increased costs.	
CS.24	IT skills and culture IF the workforce do not have the IT skills or the willingness to make the most of technologies THEN the council is not making the most of the tools available to create efficient services or progress service delivery	
CS.25	IT development IF the council does not invest in digital solutions working across the organisation THEN opportunities for better customer engagement, communications and efficient services delivery will be effected and the council will fall behind on what residents and businesses want and what other council can provide. To always be based on should business cases and value for money with return on investment.	
CS.26	Emergency events IF: significant events happen (e.g. severe weather, major flooding, terrorism and/or influenza pandemic risks) THEN: there could be a	

	significant cost implication to the Council and it may be necessitate staff redeployment to backfill and maintain critical services. Failing to respond effectively to major emergencies/incidents could result in a loss of public confidence through adverse publicity, loss of life to public or council employees, loss of service, economic damage or environmental impacts. Lack of trained staff (deployed or other) means we may not respond as quickly/effectively as we should.	
CS.27	PH delivery of grant spend IF recruitment to vacant roles remains challenging THEN there is a risk to spend of universal funding granted to Turning Point.	
CS.28	Local Land Charge Time scale IF the services fails to meet national target THEN there is a reputational risk and local scheme could face a delay in time scale.	
CS.29	Medium Term Financial Strategy IF: the Council does not deliver its MTFS strategy, either through poor budgetary control or inflationary pressures THEN: there is a risk that the organisation will not achieve a balanced budget and risk service failure	
CS.30	Legal recruitment IF there is inability to recruit to the new structure THEN this will lead to challenges in managing the demand for legal support	
CS.31	Joint governance on Fastershire IF collaborative working and joint governance is not maintained with Gloucestershire THEN the delivery of the project could be put at risk without the combined approach with shared risk, joint revenue budget, intergrated cabinet programme.	
CS.32	Accountability for grants IF the council does not properly manage grants THEN: the council could be liable for financial and reputational risks	

Economy & Place Directorate Risk Register Quarter 2 2021

		Impact			
		2	3	4	5
Likelihood	5	EP.26 --	EP.03 -- EP.04 -- EP.05 ↑		
	4	N/A	EP.12 -- EP.13 -- EP.14 --	EP.01 * EP.02 ↑E	
	3	N/A	EP.27 -- EP.32 * EP.28 -- EP.29 -- EP.30 -- EP.31 --	EP.15 -- EP.20 -- EP.16 -- EP.21 -- EP.17 -- EP.22 -- EP.18 -- EP.23 ↑E EP.19 -- EP.24 * EP.25 *	EP.06 -- EP.11 -- EP.07 -- EP.08 -- EP.09 -- EP.10 --
	2	N/A	N/A	N/A	

Ref.	Description	Corporate Risk
EP.01	<p>Waste collections - HGV drivers and labour availability IF: FCC Environment continue to see high absence levels and are unable to recruit to HGV driver and labourer positions THEN: This will severely impact the waste collections service. This is likely to become a larger and more significant risk as we approach Xmas when there is more competition for HGV drivers and the national shortage is unlikely to be resolved.</p>	CRR.62
EP.02	<p>Hereford City Centre Transport Package IF the balance of land payments and costs for the BP garage and associated interests (Arrow Plant & Lincoln Properties) is higher than the allocated budget THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further reduction was too significant then it may not be possible to meet the objectives of the business case without further capital funding.</p> <p>This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.</p>	CRR.63
EP.03	<p>Cost increase in providing special transport IF: there is increasing demand for special transport (SEN/LAC/PRU) THEN: there will be significant budget pressures to the transport service.</p>	
EP.04	<p>Covid results in significant financial and operational pressures for passenger transport services IF: the response to covid emergency results in need for emergency planning of transport operations THEN: new considerations required in relation to safety (social distancing) which will result in a massive drop in revenues affecting council budget and commercial operators viability.</p>	

EP.05	Green Homes Grant Local Authority Delivery (GHG LAD) project IF: Funding is not defrayed for green home measures by project end THEN: allocated Herefordshire funding will need to be returned to central government (Business, Energy and Industrial Strategy, BEIS).	
EP.06	Phosphate Pollution in Lugg Catchment IF: A way forward cannot be found in relation to the moratorium on housing development in the River Lugg catchment arising from elevated phosphate levels THEN: the 5 Year Housing Land Supply figure will fall further which will have a severe impact upon the weight of Neighbourhood Development Plans and the outcome of planning appeals, leading to a 'plan led' rather than a 'policy led' county.	
EP.07	Waste management services contract IF: we fail to make best decision in regard to WMSC extension THEN: value for money to the council will not be delivered.	
EP.08	Waste management services contract IF: we do not appropriately resource the review THEN: there is a risk that we may not meeting the tight timescales to be able to re--procure a new service in time	
EP.09	Wetlands IF: Wetlands are to deliver the required phosphate reduction to enable housing development in the Lugg catchment areas THEN: The delivery of these wetlands must be driven at pace to ensure that (1) the effective moratorium is unblocked ASAP and (2) the requirement to spend £1m of the LEP grant by 31/3/22 is met so that the £1m LEP funding does not have to be returned.	
EP.10	Ecology Resource IF: The ecology team does not get additional resource THEN: The delivery of their statutory role in planning consultations will not be met and the internal expertise to deliver many of the council's environmental actions within the corporate plan will also be at risk.	
EP.11	Historic Building Conservation Resource IF: The Historic Building Conservation team does not get additional resource THEN: The delivery of their statutory role in planning consultations will not be met and the internal expertise to deliver many of the council's environmental actions within the corporate plan will also be at risk.	
EP.12	BBBLP Annual Plan Delivery Covid 19 cost IF: additional cost continues to be identified due to the current covid situation (the costs are captured in the AP EW's and RR meetings) THEN: there will be delivery/financial implications for the Annual Plan *Additional funding from government is expected but the extent is not known.	
EP.13	Herefordshire on street cycle hire scheme (Beryl). IF: we are unable to secure additional external funding THEN: the current project will finish in 31 March 2022. This presents a significant political risk as the project is very successful and popular. This also presents a risk to delivering the sustainable transport objectives in the local transport plan and corporate delivery plan. Funding to procure on street cycle hire was from the DfT Access Fund but in the absence of grant funding it may be possible to access internal funding.	

EP.14	<p>Corporate Energy Bills</p> <p>IF: Forecasted energy prices for next year do not start to decline THEN: The cost of energy bills for the council's corporate estate will rise considerably next year (in the region of 17-19% for gas and 11-14% for power).</p>	
EP.15	<p>Economic Resilience - Covid 19</p> <p>IF: Covid 19 has and will continue to have a very significant impact on the local economy THEN: businesses will close, and unemployment will rise.</p>	
EP.16	<p>Drainage Investment</p> <p>IF: Underlying drainage issues, that have and will lead to accelerated deterioration in the highway asset, are not addressed through the investment period THEN: this will lead to the benefits realised as a result of the investment not being sustained.</p> <p>*Drainage impact from Oct 19 and Feb 2020 significant, resources required for corrective measures including revenue.</p>	
EP.17	<p>Severe Weather and other Emergencies</p> <p>IF: Severe weather, or other major emergencies events occur (for example severe and prolonged winter periods) the need will exceed programmed operational resources THEN: The service will need to call on corporate revenue reserves if it is to continue to meet the Council's duties as a highway authority.</p>	
EP.18	<p>Hereford City Centre Improvements:</p> <p>IF Agreement cannot be reached on scope of works to be completed THEN LEP funding may be withdrawn and there would be a shortfall in funding for the scheme.</p>	
EP.19	<p>Hereford City Centre Improvements:</p> <p>IF A new location for the WPD substation and the replacement works are not progressed. THEN The ability to progress the next phase of construction and meet the LEP spend requirements for 21/22 financial year may be compromised.</p>	
EP.20	<p>Infrastructure Projects</p> <p>IF: Projects are to be let through open procurement outside the public realm contract THEN: There may be delays to scheme progression or significant pressure on resources to meet the scheme delivery and management requirements.</p>	
EP.21	<p>Development Regeneration Partnership - Keepmoat</p> <p>IF: there is not an adequate pipeline of suitable residential development projects THEN: we will not be able to deliver the benefits through the contract</p>	
EP.22	<p>Infrastructure projects land acquisition</p> <p>IF: we are unable to acquire land to enable major infrastructure THEN: there is a risk to delivery of major infrastructure (e.g. roads/highways)</p>	
EP.23	<p>Hereford City Centre Transport Package</p> <p>IF there is a delay to concluding the claim received for the BP Garage THEN significant costs may be incurred if the matter is taken to a tribunal.</p>	
EP.24	<p>CCTV funding</p> <p>IF the PCC do not continue to provide funding for the service beyond 31 October 2021 THEN there is a possibility that the service will cease delivery, or need to provide a reduced service.</p>	

EP.25	<p>CCTV funding IF funding isn't available to upgrade or provide additional CCTV cameras in Hereford city due to the installation of trees impeding the views of CCTV THEN there is a possibility that the service will cease delivery, or need to provide a reduced service.</p>	
EP.26	<p>Highway Condition IF: The maintenance of the highway network continues at the current level THEN: the condition of the network will continue to deteriorate and the cost of rectifying this deterioration will increase with adverse reputational impact.</p>	
EP.27	<p>Ash Dieback (Chalara) IF: An action plan is not adopted to deal with the onset of Ash Die Back within the County boundaries THEN: the authority faces significant unplanned financial burden linked to removal of a significant percentage of tree stock and an increased liability linked to personal injury and third party damage claims.</p>	
EP.28	<p>Local flood risk management strategy IF: The implementation of the LFRMS is not fully embedded THEN: HC will not be able to manage local flood risk in a more co-ordinated way and won't be able to help individuals, communities, businesses and authorities understand and manage flood risk within the county.</p>	
EP.29	<p>Staff Retention in Property Services IF: Staff leave/retire THEN: Key knowledge, programme delivery and statutory compliance will be compromised</p>	
EP.30	<p>Herefordshire fuel poverty level IF/AS: Fuel poverty levels in the county rise (the latest sub-regional statistic (2018) is above the national average) THEN: There is a public health and reputational risk that we are not addressing fuel poverty levels and moving forward incidences of excess winter deaths and costs to health, social care will rise.</p>	
EP.31	<p>Food Hygiene Inspection Program IF: there is non-compliance with the Food Standards Agency (FSA) Code of Practice with regards to the interventions at D & E rated food businesses THEN: possible FSA intervention and increased public health risk</p>	
EP.32	<p>Warm Homes Fund- Delivery and funding drawdown IF: Supply chain issues continue THEN: there is a risk that delivery will not be completed in line with targets and funding will not be maximised.</p>	

Risk Reference	Risk Description	Opened	Risk score before controls (LxC)	Risk score after controls (LxC)
CV1	Risk to the vulnerable people in Herefordshire (children not in education, not in social care)	Apr-20	15 (5*4)	6 (2*3)
	Ability to carry out business as usual to support vulnerable people in the community	Apr-20		
	National focus is largely on protecting the NHS, which might result in poor practices generating increased (long term) pressures on social care	Apr-20		
	Assurance that Care Home are effectively managing the COVID risks and contamination control within their settings	Apr-20		
	Adequacy of Infection Protection control	May-20		
	Testing availability	Sep-20		
	Increase in infection rate	Sep-20		
	Patchy test and trace communication and service	Oct-20		
CV2	Risk to our staff	Apr-20	20 (5*5)	8 (2*4)
	Availability of PPE	Apr-20		
	Staffing levels will make BAU, and COVID responses under pressure	Apr-20		
	Risk of infection/death to frontline staff working in the community	Apr-20		
	Working from home H&S and well being	Apr-20		
	Risk to BAME workforce	May-20		
	Covid secure workplaces	May-20		
	Testing availability	Aug-20		
	Risk to social work practice as supervision continues to be remote	Oct-20		
	Long term implications of Covid and return to BAU	Feb-21		
CV3	Risk to the council's finances	Apr-20	25 (5*5)	20 (4*5)
	A reduction in council tax income	Apr-20		
	A reduction in business rate income	Apr-20		
	A reduction in income for other sources, such as car parking	Apr-20		
	Additional unbudgeted spend including PPE @ significant cost	Apr-20		
	Uncertainty over central government support and unavoidable costs	May-20		
	Timing deadline for central government support	Jun-20		
CV4	Risk to the local economy	Apr-20	20 (5*4)	25 (5*5)
	Local economy will suffer as a result of the COVID measures	Apr-20		
	Increased likelihood of businesses failing	Apr-20		
	Delays in progressing some of the key council developments which will increase the capacity to	Apr-20		
	Market failures for LA services	Jun-20		
	Impact for market towns not covered by specific grants	Jun-20		
	Increased unemployment	Jun-20		
	Ability for transport services to provide covid secure service and still be viable	Jun-20		
	Difficulty in recruiting in some areas ie agriculture	Jun-20		
	Uncertainty of pandemic on top of flooding this year	Jun-20		

	Risk of Variant of Concern resulting in re-implementation of measures that impact economy	Aug-21		
CV6	Risk to the Shield, BRAVE and other vulnerable groups COVID response	Apr-20	20 (4*5)	6 (2*3)
	Due to numerous lists being issued from health, there is a risk that some people are missed and not contacted	Apr-20		
	Fragile processes have been developed to support immediate resolution, which rely too heavily on individuals and single points of failure.	Apr-20		
	Sufficiency of foster care places	Jun-20		
	Availability of volunteers and shield buddies as normal duties resume	Jun-20		
	Impact of public realm changes for the visually impaired	Jun-20		
	Increase in infection rates	Sep-20		
	Testing ability	Sep-20		
	Patchy test and trace communications and service	Oct-20		
	CV7	Risks to Communications and national messaging	Apr-20	9 (3*3)
Herefordshire council might not agree with the national messaging		Apr-20		
The requirement to respond to the national governments decisions quickly poses a risk to the council		May-20		
Messages not understood due to unclear messaging and different counties/welsh border.		May-20		
Inaccessible communications not reaching audience		Jun-20		
CV8	Risk to delivery of Strategic Objectives	Apr-20	20 (4*5)	16 (4*4)
	Transformational projects stalling due to inability to build/develop/transform services	May-20		
	HE ability/pressures	Jun-20		
	Lockdowns and further restrictions	Sep-20		
CV9	Risk of non compliance with advice/guidance by general public	Jun-20	25 (5*5)	15 (3*5)
	Non compliance by members of public	Apr-20		
	Pressure on council enforcement resources	Jun-20		
	Not securing court orders	Aug-20		
	Increase in infection rates	Sep-20		
	Risk from international travel and non-compliance with quarantine requirements on return.	Apr-21		
CV10	Risk of larger outbreaks leading to wider lockdown	Jun-20	15 (3*5)	15 (3*5)
	LA not have powers for wider lockdown	Jun-20		
	Community tensions rising	Jun-20		
	Local authority and local system capacity being overwhelmed if multiple large outbreaks occur simultaneously	Jul-20		
	Increase in infection rate	Sep-20		
	School reopening	Sep-20		
	Variant of concern spread within the county	Apr-21		
	Staff cannot be recruited to key COVID-19 response positions	Aug-21		
	CV11	Missed education for Herefordshire learners	Jun-20	25 (5*5)
Impact of lack of learning /virtual learning capability		Jun-20		
Parental and school tensions		Jun-20		
Non-attendance for September return		Aug-20		
Schools returned and preparing for virtual learning		Sep-20		
Ability to catch up on missed education		Sep-20		

CV12	Lack of digital inclusion /IT	Jun-20	12 (4*3)	12 (4*3)
	Superfast broadband not accesible to all	Jun-20		
	Digital inclusion - feeling more excluded	Jun-20		
	Cyber security risk increasing given increase of matter online	Jun-20		
	IT still within the council having an impact on delivery	Nov-20		
CV13	Risk to the Council's reputation	Nov-20	25 (5*5)	8 (2*4)
	Introduction of local rapid testing at scale places expectations on council to make this an effective, well-run service for an estimated 6-12 months. No clear national policy yet from end of June.	Nov-20		
	Development of contact tracing and compliance services at a local level will be necessary to control and mitigate infection spread. This has been of poor quality nationally, and damaging to national government.	Nov-20		
	There is already an expectation that the local authority will support the effective roll-out of vaccinations to health and care staff: likely that this will extend to the wider population in the new year.	Nov-20		

Title of report: Annual review of the council's information access and information governance requirements

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Head of information compliance and equality

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To inform the committee of performance in the areas of complaints, data incidents and requests for information made to the council over the municipal year 2020/21.

Recommendation(s)

That:

- (a) **the information set out in the report regarding requests for information, data protection compliance and complaints over the past year be reviewed with regard to any risks arising and the committee determine any recommendations it wishes to make to improve mitigation of those risks.**

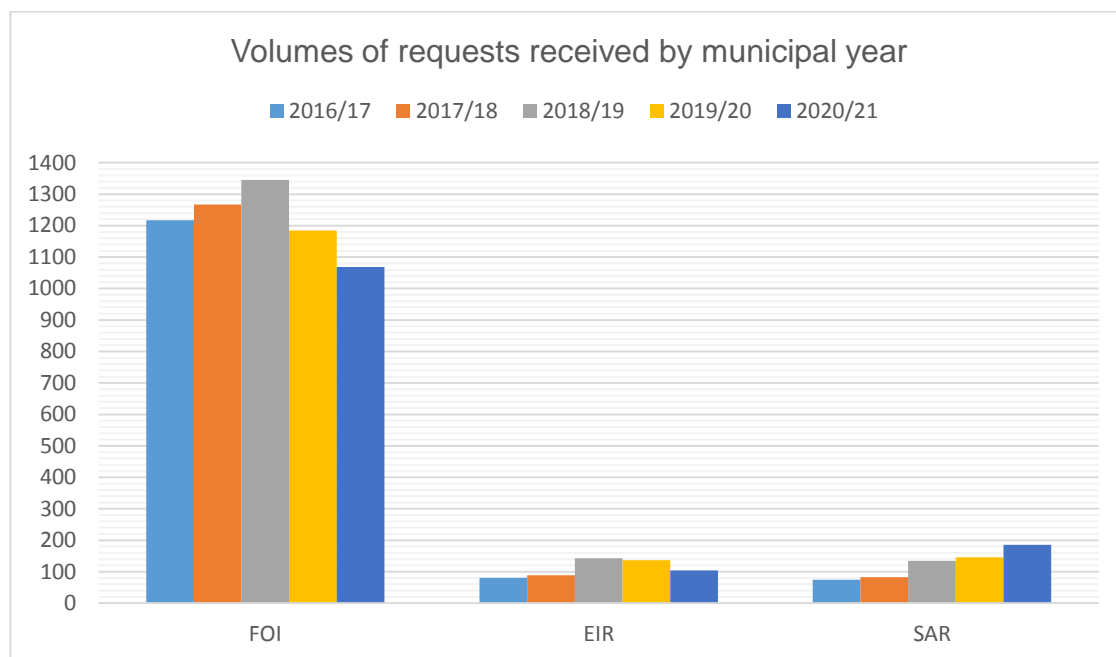
Alternative options

1. There are no alternative options as the report provides a factual summary of performance in order to assist the committee fulfil its function to annually review the council's information governance requirements.

Key considerations

Requests for information

2. The council is subject to legislation that requires openness and transparency, providing members of the public with qualified rights of access to information. At the same time, the council is also required by legislation to protect certain information from unauthorised disclosure, and to exempt information from being released. The council therefore makes decisions on disclosure of information based on the law and regulatory guidance, occasionally having to balance the public interest in releasing data with the confidentiality of the information and the harm that release would cause. When the council undertakes this balancing exercise, it still does so taking into account relevant case law and decision notices.
3. From May 2020 to April 2021 the council dealt with 1,069 requests under the Freedom of Information Act (FOI) 2000, and 104 requests under the Environmental Information Regulations (EIR) 2004.
4. There were 24 such requests that were answered outside of the statutory deadlines for responses to be made, meaning that the overall response rate was 98%, exceeding the council's target of 95% and well within the Information Commissioner's Office (ICO) threshold of 90% for responses within deadline. Where information was not provided in full this was because some of the information was exempt (for reasons such as the information being personal data). In a small number of cases the information was not held, or refused in full and no information was released.
5. The volumes of requests received fell as the first lockdown came into force in March 2020, reaching a low in May 2020, after which the volumes started to slowly increase again. The ICO advised all public authorities it would not penalise them if responses were late as a result of the pandemic. Many local authorities suspended their processing of information requests during 2020 because staff were redeployed to work on the response to the pandemic. However, the information access team continued to process requests at the same time as being redeployed.
6. Two cases were referred to the ICO resulting in a decision notice being issued over the past municipal year, in both cases the ICO upheld the council's decision.
7. During the last municipal year there were also 186 requests where individuals asked for personal data about themselves under their right of subject access in data protection legislation. The response rate for this period was 94%, just below the target for the calendar year, which was a 95% response rate. The graph below compares volumes of requests received in municipal year 2020/21 with volumes received in previous years. In 2020/21 1,069 FOI requests, 104 EIR requests and 186 subject access requests were received. In 2019/20 1,185 FOI requests, 137 EIR requests and 146 subject access requests were received, and in 2018/19, 1,345 FOI requests, 143 EIR requests and 135 subject access requests were received. In 2017/18, 1,267 FOI requests, 89 EIR requests and 83 subject access requests were received, and in 2016/17 1,217 FOI requests, 81 EIR requests and 75 subject access requests were received.



8. Statistical data on requests processed under FOI and EIR are published and updated quarterly at this web site address:
https://www.herefordshire.gov.uk/info/200148/your_council/34/our_open_data_principles/13
9. Where other comparable councils to Herefordshire Council publish their request volume statistics, some informal benchmarking can be made based on requests received in the financial or calendar year, and Herefordshire Council is performing in a similar way amongst other such councils. Wiltshire Council received 1,279 FOI and EIR in 2020, however Wiltshire's compliance rate was 95% compared to Herefordshire's 97%. Amongst other local authorities, Leicestershire County Council received 897 requests in 2020 and had a response rate of 88%. Exeter City Council received 738 FOI requests and had a compliance rate of 81%. Herefordshire Council received 1,055 FOI and had 98% compliance.
10. Information request data is monitored monthly within the council at the information governance steering group, quarterly at directorate management team meetings, and bi-annually at Management Board. Policies including the Requests Charging Policy, Internal Review Policy and Publication Scheme, have all been reviewed, updated and published on the council web site. There is a section on processes for staff to follow regarding information requests within the mandatory training completed by all council staff annually.
11. The information governance team deals with requests made by the police in relation to criminal investigations to view council information, and requests from other public sector organisations in relation to such matters of investigation of fraud and child protection matters concerning closed social care cases. The volumes of the latter requests have again remained stable over the past year compared with the last two years. Police requests have decreased slightly over the past year and a total of 69 requests were processed, including the locating, proportionate sharing and redaction of records.

Complaints

12. The council dealt internally with 769 corporate complaints, an increase from last year in part due to the council receiving 154 complaints in June 2020 regarding parking charges being reintroduced as lockdown eased and 33 complaints in August 2020 regarding the council's

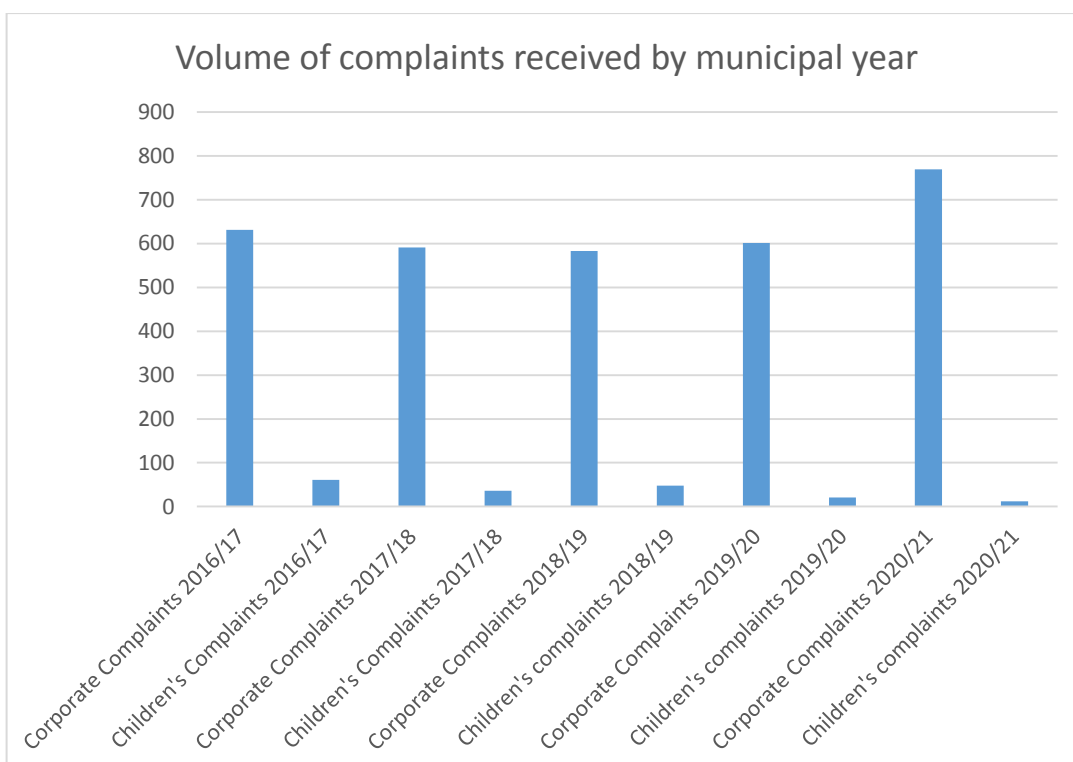
decision to implement covid-19 highway measures in Bromyard. Of the total amount of complaints, the council upheld or partially upheld 13%. In addition, 12 complaints were processed under the children’s complaints procedure for children’s social care. Whilst complaints over the past year have covered a wide range of issues, generally themes of not providing a satisfactory service prevail, and decisions being challenged as they are alleged to be unfair or not taking into account all circumstances have been found. As with information requests, there was a sharp decrease in complaints from when lockdown first began.

13. Quarterly reports to directorate management teams highlight these areas and recommend action to be taken, so that complaints trend data can be actively used to anticipate problem areas for service users and training needs for council staff. As one example, complaints about children’s services have been used to inform the care concerns process for more active listening to the issues experienced by people receiving children’s social care services.
14. When a complaint has exhausted the Herefordshire Council complaints procedure administered by the information access team and the children’s complaints team, complainants can approach the Local Government and Social Care Ombudsman (LGSCO) for an independent investigation. For findings by the LGSCO of maladministration and injustice (where the council has been found to be “at fault”) a decision notice will give recommendations that may include compensation payments.
15. The LGSCO themselves publish statistics by financial year. The LGSCO review of complaints received by the LGSCO covering April 2020 to March 2021 provides figures for comparative authorities which are given in the table below. To allow authorities to respond to the Covid-19 pandemic, the LGSCO did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints that they received and decided in the 20-21 year. Nonetheless, Herefordshire has improved the number of cases not upheld against it. The percentage “uphold rating” can be misleading – it is the percentage of complaints considered by the LCSCO, not the total of complaints received by the council. Considering all complaints received by the council, 3 were upheld by the LGSCO which is less than 0.5% of all complaints for the period April 2020 - March 2021.

Authority	Number of complaints considered	Complaints upheld
Isle of Wight	18	39%
Rutland	5	40%
Cheshire West and Chester	17	41%
Northumberland	22	45%
East Riding of Yorkshire	12	50%
Herefordshire	6	50%
Shropshire	16	50%
Cornwall	33	55%
Wiltshire	16	56%
Bedford Borough	8	63%
North Somerset	8	63%
Cheshire East	33	64%
Bath and North East Somerset	3	67%
Solihull	10	80%
Central Bedfordshire	11	91%

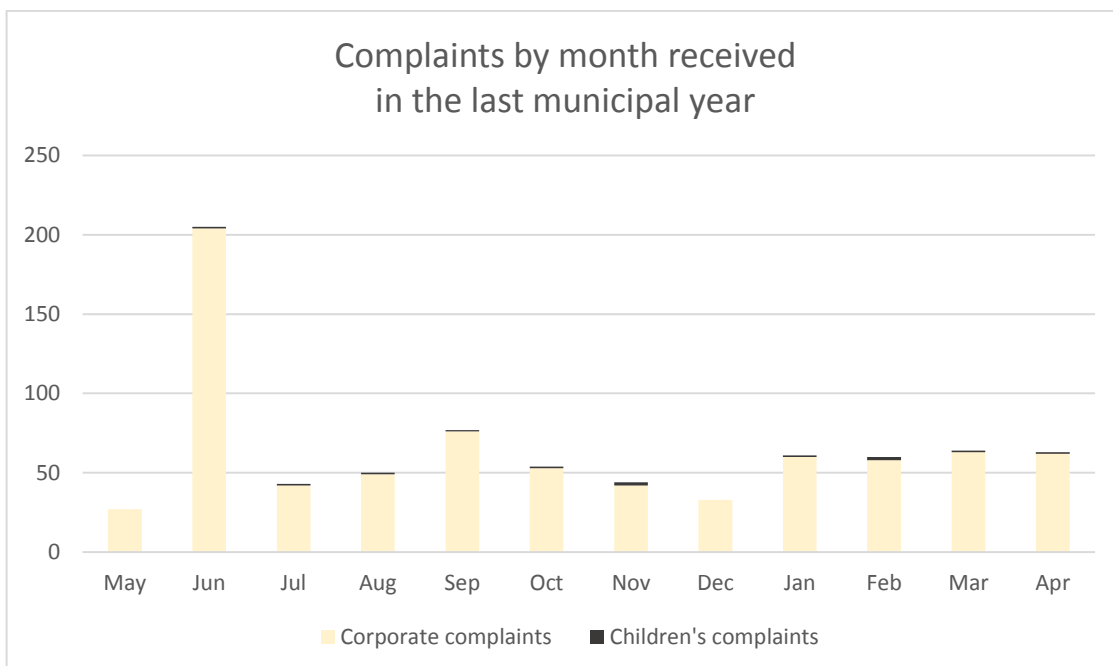
16. The LGSCO cases that were upheld against Herefordshire are set out on the LGSCO website which is at <https://www.lgo.org.uk/decisions>. They are summarised below along with the lessons that the council learnt from these cases:

17. First upheld case: The complaint concerned the council failing to consider the impact of a neighbour's extension on a property and failing to consult on amended plans. The council was at fault for not recording its decision not to conduct further consultation and for lack of transparency in its decision making. The Council apologised to the complainant and took action to improve its service.
18. Second upheld case: The complaint concerned the council's handling of a child's placement into her care. The council failed to correctly assess the needs of the child and did not put the child's needs first. The council also did not adequately address the impact of its actions on the complainant, their family and the child. The council's actions caused avoidable distress and financial loss.
19. Third upheld case: The council failed to prevent unlawful encroachments on roadside verges, which made the verges unsafe.
20. In all cases the council has complied with the recommendations made by the LGSCO to resolve the case. In some cases compensation was recommended. The council paid out a total sum of £4,000.
21. The following four graphs show volumes of complaints processed under the corporate complaints procedure alongside those processed under the separate statutory children's complaints procedure. The first graph shows that in the municipal year 2020/21 there were 769 corporate complaints and 12 children's complaints, contrasted with other municipal years: 2019/20 there were 601 corporate complaints and 21 children's complaints, 2018/19 where there were 583 complaints and 48 children's complaints, 2017/18 where there were 591 complaints and 36 children's complaints, and 2016/17 where there were 631 complaints and 61 children's complaints.

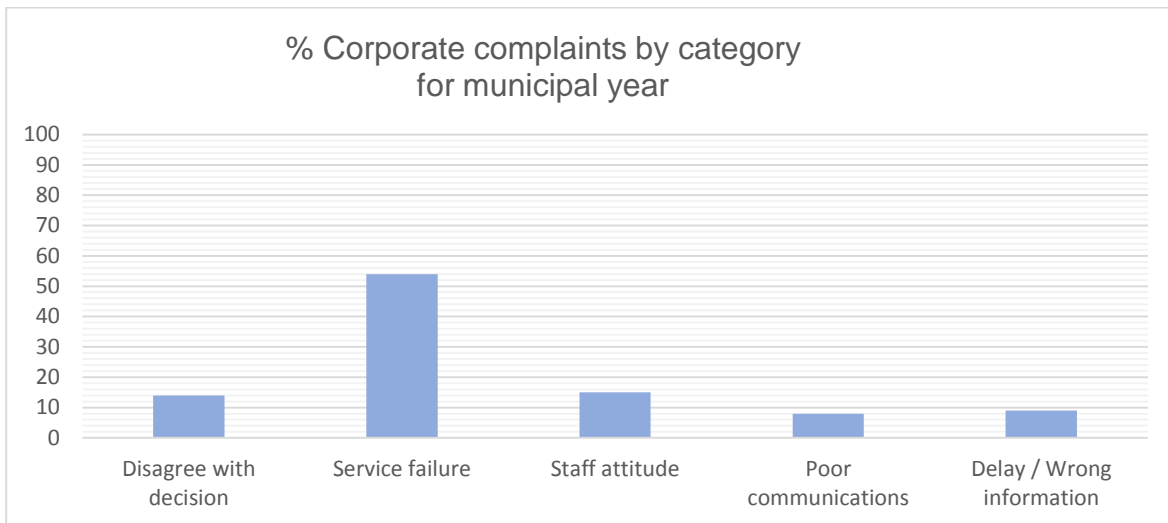


22. The second graph breaks down complaints received by month with the data set out in the following table:

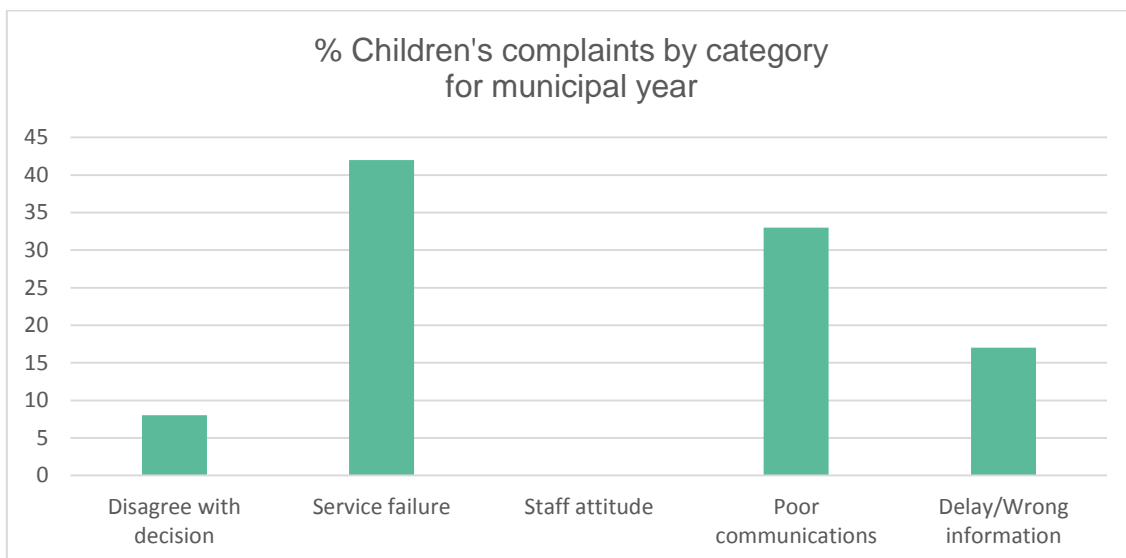
Month	Volume of complaints
May 2020	27 corporate complaints and 0 children's complaint
June 2020	204 corporate complaints and 1 children's complaints
July 2020	42 corporate complaints and 1 children's complaints
August 2020	49 corporate complaints and 1 children's complaints
September 2020	76 corporate complaints and 1 children's complaints
October 2020	53 corporate complaints and 1 children's complaints
November 2020	42 corporate complaints and 2 children's complaints
December 2020	33 corporate complaints and 0 children's complaints
January 2021	60 corporate complaints and 1 children's complaints
February 2021	58 corporate complaints and 2 children's complaints
March 2021	63 corporate complaints and 1 children's complaint
April 2021	62 corporate complaints and 1 children's complaints



23. The third graph breaks down corporate complaints by category over the municipal year: 14% were a disagreement with a council decision, 54% for a service failure, 15% regarding staff attitude, 8% for poor communications, and 9% for delay or being given incorrect information.



24. The final graph breaks down children’s complaints by category over the municipal year: 8% were a disagreement with a council decision, 42% for a service failure, 0% regarding staff attitude, 33% for poor communications, and 17% for delay or being given incorrect information.



Information governance

25. The council’s information governance team monitors low-level data security incidents, near misses, and allegations of breaches of data protection legislation, of which 172 such cases were reported and dealt with over the past municipal year. Out of these, 3 met the threshold for reporting to the Information Commissioner’s Office (ICO), however no action was taken against the council and the ICO was satisfied as to how the council had dealt with the breaches in all cases. The figures reflect that the council has sound processes in place for reporting data incidents, and that there is a high level of awareness from the mandatory training given to all council staff regarding data protection. It also indicates a more open culture around reporting things that have gone wrong. Numbers of incidents reported over the past 5 years demonstrate that reporting has improved considerably: 91 incidents in 2015/16, 71 incidents in 2016/17, 73 incidents in 2017/18, 159 incidents in 2018/19, and 184 incidents in 2019/20. Incidents are reviewed at the information governance steering group and learning from incidents is fed back through staff training and changes in processes and procedures.

26. The information governance team also assesses the mandatory data protection impact assessments that are completed for new programmes, projects or systems that involve processing of personal data, advise on information sharing agreements, implement information security policies and procedures, and ensure that teams make information available on how the council processes personal data.
27. In addition to providing the council with a service, as of April 2020 53 of the county's schools were signed up to a self-funding school's data protection officer service level agreement. A high level service and support to schools is provided whether on the end of the telephone or via a face to face visit.

RIPA

28. The Regulation of Investigatory Powers Act 2000 (RIPA) restricts the circumstances in which local authorities may authorise directed (covert) surveillance. In summary, it can only be applied if it is for the prevention or detection of criminal offences if: the maximum term is of at least 6 months imprisonment; it is related to underage sale of tobacco or alcohol; serious criminal damage; dangerous waste dumping; or, benefit fraud. All applications for RIPA must have judicial approval. In the past municipal year, one RIPA application was made.

Community trigger

29. The community trigger gives individuals and communities the right to review their case of anti-social behaviour or hate crime, if they are not happy with the response given by the relevant authorities. A community trigger can be applied for if an individual has reported three or more incidents of anti-social behaviour to the council, the police, or their housing association within the past 6 months, or if an individual and four or more individuals have complained separately about similar incidents of anti-social behaviour to the council, the police, or their housing association within the past 6 months. There have been 7 such instances over the past municipal year.

Community impact

30. In accordance with the adopted code of corporate governance, Herefordshire Council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. The council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review.
31. This report provides information about the council's performance in handling complaints and requests for information from members of the public, in order to provide assurance that the council handles requests and complaints effectively and derives learning from them to improve experiences for those who receive services from the council. It also provides information about the measures taken to protect personal data under the UK General Data Protection Regulations and the Data Protection Act 2018.

Environmental impact

32. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors

we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

33. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy, including through encouraging complaints and requests for information to be submitted electronically to the council.

Equality duty

34. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
35. This report is for information only and therefore there are no equality duty implications arising directly from this report.

Resource implications

36. There are no financial implications arising directly from this report, which is for information. As outlined above however, there are risks of fines from the Information Commissioner's Office for breaches of data protection legislation, and compensation payments if the council has acted in a way that results in maladministration and injustice. The council has sufficiently protected the personal data it holds to not incur fines so far. The council has however had to make some compensation payments following complaints, hence learning from complaints is being fed back into strategic planning.

Legal implications

37. There are no direct legal implications arising from the report as it is a factual summary provided for information purposes.

Risk management

38. The risks to the council are of non-compliance with legislation including the UK General Data Protection Regulations, the Data Protection Act 2018, the Freedom of Information Act 2000, the Environmental Information Regulations 2004, and the Local Government Act 1974. Effective operational and governance processes mitigate these risks of non-compliance with information legislation and standards, and maintaining high standards of compliance mitigates risks to the reputation of the council.

Consultees

39. Not applicable.

Appendices

None.

Background papers

None identified.

Title of report: Whistleblowing policy review

Meeting: Audit and governance committee

Meeting date: Thursday 30 September 2021

Report by: Solicitor to the council (monitoring officer)

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To review the council's whistleblowing policy.

Recommendation(s)

That:

- (a) the council's whistleblowing policy is reviewed and any recommendations made.**

Alternative options

1. To not review the policy, this is not recommended as it is a function of the committee to maintain an overview of this policy.

Key considerations

2. This policy plays an important part in meeting the council's commitment to openness, honesty and ethical propriety and compliments the objectives of a number of other council policies, for example the anti-fraud and bribery policy and the code of conduct for qualifying employees of the council.
3. The policy was last reviewed in October 2020 with significant changes made following recommendations from this committee's working group.

4. One change introduced the ability for staff to contact the monitoring officer at Buckinghamshire Council anonymously. This service has been utilised and eight contacts have been made to discuss concerns outside of the organisation. It is recommended that this service is continued.
5. A review of the use of the policy since 2017 and trends is set out below:

Municipal year	Total number of complaints	Risk identified				
		Make you feel uncomfortable in terms of known standards	In breach of the officer or councillor code of conduct	Fall below established standards of practice that the council subscribes	Are not in keeping with the council's constitution and policies	Improper
17/18	5	1	1	1	1	1
18/19	11	3	3	3	2	0
19/20	8	2	0	0	3	3
20/21	6	3	0	2	1	0
21/22	8	4	1	2	1	0

6. At the full council meeting in April 2021 following the YY judgement in children services the whistleblowing policy was questioned as to how effective it was in practice.
7. It is fair to say that the whistleblowing policy is still used infrequently. It is seen as an available escalation route but only as a last option.
8. A staff panel was convened to better understand what staff know about the Whistleblowing Policy and find out what support they require to help feel more empowered to go through the process should they need to.
9. The analysis of the session identified what employees want addressing to create a better whistleblowing experience for them and their teams. These can be seen in the table below.

Themes	
Barriers prevent staff whistleblowing	<ol style="list-style-type: none"> I. Negative connotations from the word whistleblowing make individuals want to avoid being associated with it. II. Experience of senior officers not taking action after previous issues have been raised. III. Not having physical evidence to support their point makes them feel like they will not be trusted. IV. Experience of not being listened to.
Staff do not feel they have the right support to go through the process	<ol style="list-style-type: none"> I. Would help to have an internal, or external contact who will have confidential conversations and provide guidance and advice anonymously. II. Process is taxing on mental health, so would like someone to provide support throughout.
Workplace culture disempowers employees to raise concerns	<ol style="list-style-type: none"> I. A culture of keeping matters hidden, it needs to be more transparent. II. Council should be open minded to the positive change that whistleblowing's outcome brings.

<p>Fears for own safety and others prevents staff speaking up</p>	<ul style="list-style-type: none"> III. Need a leadership that creates a positive culture; currently negative behaviours are being enabled. IV. Want a safer psychological environment where problems can be voiced. V. Policy will only work if culture allows it. <ul style="list-style-type: none"> I. Afraid of matter not staying confidential: <ul style="list-style-type: none"> - Private matter spreading around the council - Individual who is being whistle blown on finding out who raised the issue II. Fear there will be repercussions for others: <ul style="list-style-type: none"> - Reputation damage for who is being whistle blown on - Fear the outcome for their manager III. Fear repercussions for self: <ul style="list-style-type: none"> - How will they be viewed by colleagues going forwards? - Future job safety during restructures - Outcome not improving the situation for them - Not feeling supported by members
<p>Whistleblowing policy is not well known</p>	<ul style="list-style-type: none"> I. Many not recently read the policy. II. Not knowing areas of concern in whistleblowing. III. Unsure how whistleblowing differs from code of conduct and complaints. IV. Policy is not well embedded in council.
<p>Majority do not feel empowered to go through whistleblowing process</p>	<ul style="list-style-type: none"> I. Lack confidence - need to develop confidence to raise issues. II. Need re-assurances from others to talk up. III. Trust and integrity is needed in the process. IV. Should be allowed to be true to moral obligations and speak up without resistance.

Participants also suggested some actions that could be considered going forwards:

10. To develop knowledge on the policy, it was proposed that a mandatory training course is created to ensure people are reminded about the policy on a yearly basis. Having a course will also promote a culture where people feel allowed to discuss whistleblowing more openly.
11. Having a dedicated person that focuses on providing whistleblowing guidance. With a preference for employees to have a number to call instead.
12. Consider whether positive outcomes could be shared from those who have gone through the whistleblowing process in a confidential and anonymous manner. This is to help increase transparency of the process and for it to not be a "hidden" matter, empowering people to speak up should they need to.
13. Regarding culture and leadership, there was an emphasis on a change happening top down, where seniors model good leadership, whilst being more accountable for their actions and not enabling a culture where negative behaviours are allowed. A positive work environment helps create psychological safety and for those not in senior management positions, this is essential for them to feel comfortable and confident to raise any problems.

14. Across the 3 groups, the negative connotations around the word “whistleblowing” were raised. Participants stated that this term sounded harsh and the way it is portrayed in the media leads to individuals being more likely to avoid the whistleblowing process. They would prefer a softer term to be used going forwards that is more approachable to raise their concerns.

Conclusion

15. Overall, the following areas are needed to be focused on to help improve understanding of the process and feel confident to whistle blow if the situation arises:
 - I. Addressing the barriers mentioned in the table above.
 - II. Developing a system to support and guide individuals throughout the whistleblowing process.
 - III. Creating a positive workplace culture to provide a psychologically safe environment.
 - IV. Reducing individual’s fears by ensuring the safety of those involved in the process.
 - V. Developing the workforce’s understanding of the whistleblowing policy.
 - VI. Helping employees feel more empowered to go through the whistleblowing process.
16. The annual review with the chief executive and internal audit has been undertaken and identified that the chief executive should have a mechanism to see the content of exit interviews.
17. It would seem at this stage that the policy does not need revision (unless we change the name) and that it is the culture and embedding of the policy that needs additional work. It is suggested that the monitoring officer undertakes an awareness campaign addressing the barriers listed above and reports back to the committee what work has been achieved in 9 months’ time.

Community impact

18. Herefordshire Council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all our activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of law. The confidential reporting code is part of the council’s governance arrangements. Periodic reviews to ensure the code remains current, fit for purpose and effective helps the council to meet the principles within its code of corporate governance

Environmental impact

19. There are minimal environmental impacts in the whistleblowing policy though of course any environmental concerns can be raised under the policy.

Equality duty

20. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

21. The review of the code will seek to ensure that, the council fully complies with the public section equality duty.

Resource implications

22. The role for the Monitoring Officer from Buckinghamshire Council, required a service level agreement detailing the support to be provided payable on an hourly rate. To date £780 has been paid.

Legal implications

23. None arising from the recommendations.

Risk management

24. Failure to maintain a legally compliant whistle blowing policy could contravene employment law and leave the council open to challenge with associated financial penalties and bring the council into disrepute.

Consultees

25. As set out in the report.

Appendices

None.

Background papers

None identified.

Title of report: Work programme update

Meeting: Audit and governance committee

Meeting date: Wednesday 24 November 2021

Report by: Democratic services officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

Countywide

Purpose

To provide an update on the committee's work programme.

Recommendation(s)

That:

Subject to any updates made by the committee, the work programme for the audit and governance committee be agreed.

Alternative options

- 1 There are no alternative options as regards whether or not to have a work programme as the committee will require such a programme in order to set out its objectives for the coming year.

Reasons for recommendations

- 2 The work programme is recommended as the committee is required to define and make known its work for the coming year. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
- 3 The committee is asked to consider any further adjustments.

Key considerations

- 4 The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.

Community impact

- 5 A clear and transparent work programme provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

Environmental impact

- 6 Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

- 7 This report does not impact on this area.

Resource implications

- 8 There are no financial implications.

Legal implications

- 9 The work programme reflects any statutory or constitutional requirements.

Risk management

- 10 The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

Consultees

- 11 The chief finance officer, monitoring officer, chairperson and vice-chairperson contribute to the work programme.

Appendices

Appendix 1 Work programme for audit and governance committee

Background papers

None identified.

Audit and Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.									
3.5.10	Internal Audit	Internal Audit								
a	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Internal Audit Plan & Internal Audit Charter Progress Report on internal audit plan (see part b for timing) Internal Audit Annual Opinion			Opinion					Audit Charter
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on internal audit plan		Progress report			Progress report		Progress report	Progress report
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services.									
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Tracking of internal and external audit recommendations	Tracking Report				Tracking Report	Update on internal audit recommendations		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	No specific activity required as part of normal questioning activity								
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.	Progress Report on internal audit plan (see part b for timing)								
3.5.11	External Audit	External Audit								
a	Review and agree the External Auditors annual plan, including the annual audit fee and annual letter and receive regular update reports on progress.	Annual Audit fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Annual Audit Letter External Audit Annual Plan	Audit Fee						Annual Plan	Annual Letter
b	To consider specific reports from the External Auditor.	External Audit progress update	Progress Report						Progress Report	Progress Report
c	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme								
d	To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific activity required as part of normal questioning activity								
e	To recommend appointment of the council's local (external) auditor.	Not required to be scheduled on 20/21 work programme								
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.								
3.5.12	Governance									
a	To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract & Finance Procedure Rules			Accounting Policy Update (if required)				Contract and Financial Procedure Rules	
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work programme Corporate Risk Register	Risk Register Work programme	Work programme	Work programme	Risk Register Work programme	Work programme	Work programme Corporate Risk Register	Work programme	Risk register Work programme
c	To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.	Whistleblowing policy Anti-fraud & corruption strategy		Anti-fraud update as part of internal audit progress report				Whistleblowing	Annual update on anti-fraud and corruption strategy	Anti-fraud update as part of internal audit progress report
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	Statement of Accounts								
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement	Draft		Final					
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report							Progress Update	
g	To annually review the council's information governance requirements.	Information Governance Review						Annual review of information access / governance		

Audit and Governance Committee Constitution		Report	May	June	July	September	October	November	January	March
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, caldicott guardian and equality and compliance manager reviews).	Annual Governance Statement Annual Governance Statement Progress Report								Progress Report
i	To adopt an audit and governance code.									
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only								
3.5.13 Waste Contract										
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.	Energy from Waste Loan Update								
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable.	Energy from Waste Loan Update								
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update								
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update								
3.5.14 Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council										
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council.	Annual Code of Conduct Report							Annual code of conduct report	
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council.	Part of Re-thinking Governance Review to be scheduled in next year's work programme.								
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.	Part of Re-thinking Governance Review to be scheduled in next year's work programme.								
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct.	Part of Re-thinking Governance Review to be scheduled in next year's work programme.								
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment.	Recruitment done on an as required basis and not currently scheduled.								
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report							Annual code of conduct report	
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only								
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer.	On an ad hoc basis only								
3.5.15 Accounts										
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report				Statement & Report			2020/21 external audit findings report 2020/21 statement of accounts	