

# Herefordshire Council Statement of Accounts 2022/23

(Subject to audit)





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# Narrative report





## Foreword by the Chief Executive

In my second year as Chief Executive, Councillors and staff have continued to work together to deliver improvements against our corporate priorities: strengthening the local economy, supporting vulnerable adults and children and helping residents, businesses and communities to recover from the impact of the pandemic. I would like to thank all of our Councillors, staff, partners and communities for their contribution throughout the year.

In February 2022, Council approved its budget for 2022/23 and performance against the 2022/23 budget is set out in this Statement of Accounts and the revenue outturn report presented to Cabinet. Despite unprecedented financial challenges throughout the year, we have managed pressures down to a £5.6 million overspend, representing 3.2% of our budget, whilst maintaining robust financial controls throughout the year. Some notable successes in 2022/23 included:

- Continued progress towards the improvement of Children's Services, with additional investment, a strengthened leadership team and focused activity to recruit and retain professional and caring staff to support families and children and build a better service for the future. The council is committed to safeguarding and improving outcomes for all children across Herefordshire remains a key priority.
- Our Adult Social Care teams have worked collaboratively with colleagues and partners during 2022/23 to respond to increases in demand and ensure that patients can be safely discharged with appropriate onward care to lead healthy and independent lives within their communities.
- We provided increased support to recognise the impact of the increasing cost of living on residents and businesses across the county: providing financial support to over 11,500 households through the Council Tax Reduction scheme, working with partners across communities to offer guidance to residents through Talk Community hubs, providing access to food, financial and wellbeing

advice and using the Household Support Fund to provide food vouchers and support with energy and heating costs.

- The council has made significant progress in creating a number of Integrated Wetlands, to remove phosphates and reduce pollution of our rivers and enable the ban on development in the north of the county to be lifted. Our innovative Phosphates Credits Trading scheme, the first of its kind in the country, enables developers to buy credits generated by the reduced pollution from operation of the wetlands to offset the impact of new developments on the environment.
- In January 2023, the council was awarded £19.9 million in Levelling-Up funding; this will support transport and travel improvements across the county and the development of a new Integrated Transport Hub to link cycling, walking, bus and rail transport in the city. The funding will also deliver improvements for pedestrians and cyclists and encourage safer active travel.
- We launched the Big Economic Plan in March 2023, setting out our vision for the growth of the county to 2050 and we look forward to working with partners and stakeholders to develop a thriving, vibrant and healthy Herefordshire for future generations.
- We have continued to invest in our staff through improvements to our workplaces and technology, to enable collaborative and flexible working, alongside our learning offer; to provide a range of development opportunities and support the wellbeing of all employees.

Looking forward to 2023/24, the council has set a balanced budget which is supported by robust financial controls and monitoring arrangements. We will continue to strengthen the council's financial resilience to enable improvements in service delivery and to support the priorities of the County Plan.

**Paul Walker**  
**Chief Executive**

## About Herefordshire Council

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

In a year of continued economic challenge, the council has played a vital role in supporting residents and businesses to recover from the social and economic impact of the pandemic, whilst successfully delivering the council's services. The council has continued to make arrangements to secure value for money in its use of resources throughout the year; strengthening governance arrangements and managing key operational and financial risks to deliver corporate objectives and safeguard public money.

## Our Vision and Corporate Priorities

The County Plan sets out the council's vision for the future of Herefordshire:

“Respecting our past, shaping our future - we will improve the sustainability, connectivity and wellbeing of our county by strengthening our communities, creating a thriving local economy and protecting and enhancing our environment”.

Our vision is focused around three key ambitions, underpinned by corporate priorities as outlined in the Delivery Plan. Activity and progress against delivery of these priorities is monitored and has been reported regularly to Cabinet throughout 2022/23.

### Environment

Protect and enhance our environment and keep Herefordshire a great place to live



Minimise waste and increase reuse, repair and recycling

Improve and extend active travel options throughout the county

Build understanding and support for sustainable living

Invest in low carbon projects

Identify climate change action in all aspects of council operation

Seek strong stewardship of the county's natural resources

Protect and enhance the county's biodiversity, value nature and uphold environmental standards

### Community

Strengthen communities to ensure everyone lives well and safely together



Ensure all children are healthy, safe and inspired to achieve

Ensure that children in care, and moving on from care, are well supported and make good life choices

Build publicly owned sustainable and affordable houses and bring empty properties back into use

Protect and improve the lives of vulnerable people

Use technology to support home care and extend independent living

Support communities to help each other through a network of community hubs

### Economy

Support an economy which builds on the county's strengths and resources



Develop environmentally sound infrastructure that attracts investment

Use council land to create economic opportunities and bring higher paid jobs to the county

Invest in education and the skills needed by employers

Enhance digital connectivity for communities and business

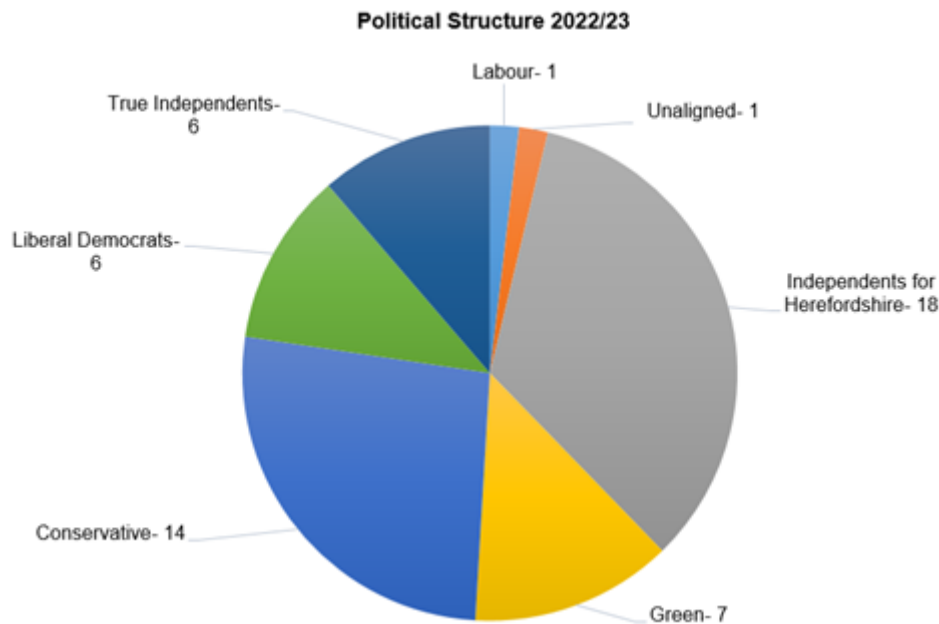
Protect and promote our heritage, culture and natural beauty to enhance quality of life and support tourism

Spend public money in the local economy wherever possible

## Our Governance and Political Structure

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

The chart below shows the political structure of the council for the period of 1 April 2022 to 31 March 2023:



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

The constitution defines the various roles of officers and members:

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

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

## Council Leadership Team

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

## Our Performance

### Community Wellbeing

The council's priority is to protect and improve the lives of vulnerable people. We aim to support individuals to live as independently and healthily as possible through investment in prevention, early intervention and the use of technology and to encourage communities to help each other through a network of community hubs.

Over the last 12 months, the number of permanent admissions to residential care has significantly increased as a result of an increasing number of individuals requiring special support following discharge from hospital. There has been a decrease in the number of older people who were still at home 91 days after discharge from hospital to reablement/rehabilitation services due to increased complexity of need meaning individuals have been unable to remain at home and required more specialist support.

We have continued to support residents with the cost of living crisis during 2022/23 with financial support provided for vulnerable households, school holiday food vouchers provided for children in receipt of free school meals and additional support for eligible households, care leavers and pensioners towards food and energy costs. Wellbeing events and cost of living roadshows, hosted across the county, have delivered financial advice and support to our communities.

We remain committed to ensuring the quality of services for people needing our support and safeguarding and protecting vulnerable people from harm. Emergency overnight accommodation was successfully delivered during the winter months and at times of severe weather, in partnership with a faith based voluntary sector provider.

### Economy and Environment

The council's Big Economic Plan was launched in 2022/23 setting out a 2050 vision to transform our local economy and create higher paid sustainable jobs for local people. We were amongst 20% of successful applicants to the Levelling-Up Fund, securing c. £20 million to enhance transport connectivity in Hereford, including a new transport hub and active travel measures across the city.

The Hereford City Centre Improvement package has seen the introduction of a new contra flow cycleway in St Owens Street. This scheme will help to remove barriers to cycling through the city and provides an essential link for active travel.

Increased energy bills continue to be a source of financial pressure for residents and businesses of Herefordshire; our programme of advice and the retrofitting of properties continues to deliver real savings to previously energy inefficient buildings across the county.

The council's e-bikes 'Beryl Bikes' continue to grow in popularity, with bays at key locations. These bikes form part of a green sustainable transport system which enables users to travel around the city safely.

### Children and Young People

The transformation of Children's services to improve outcomes for children and young people across the county remains a key priority for the council. We continue to work with the Commissioner, partner authorities, other agencies and families to address areas identified for improvement by Ofsted following its review in 2022/23. A detailed Improvement Plan has been developed to deliver significant and sustainable improvements to the support we offer to children young people and their families.

The first formal Monitoring visit was conducted by Ofsted in the final quarter of 2022/23 and this recognised improvements in our outcomes and continued progress in achieving improvements in timescales.

Despite continuing national challenges, the additional funding approved for the Children's Improvement Plan has delivered significant and sustainable improvements across the service in 2022/23. A focus on recruitment and retention activity is driving a positive impact on caseloads and efficiencies in practice standards have provided increased opportunities to work more directly with children and young people and for early family engagement. Enhanced management information has been used to drive improvements in working practices and support informed decision making.



## Our Financial Performance

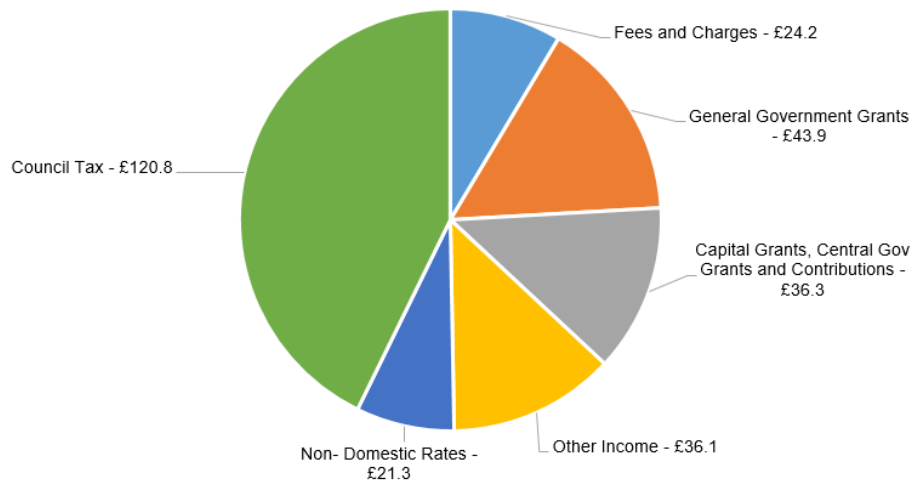
### Revenue Summary

The council receives funding from three main sources:

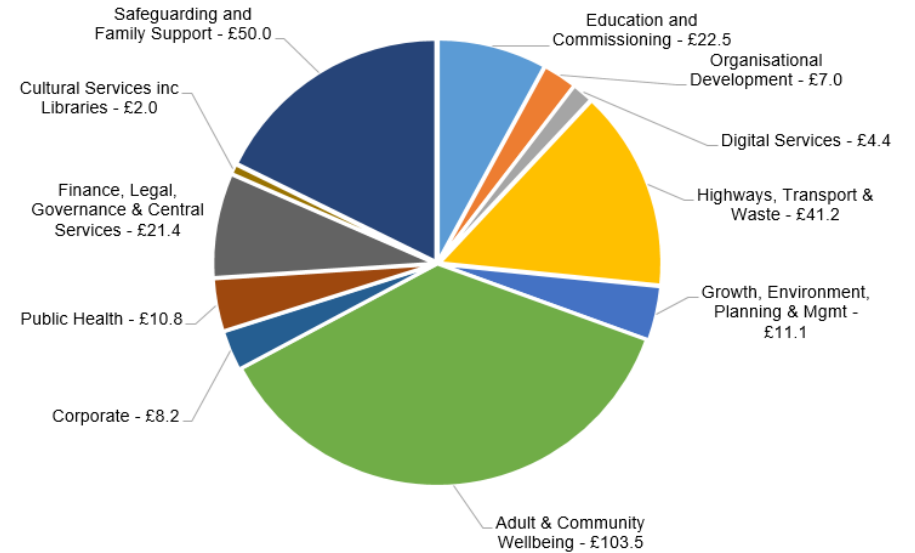
- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges from the services it provides. The charts below show the funding received in 2022/23 and how these funds were spent on services in the year:

**Gross Funding and Income 2022/23 £m**



**Gross Expenditure 2022/23 £m**



## 2022/23 Revenue Outturn

In February 2022, the council approved a net revenue budget of £175.9 million. The revenue budget shows the annual cost of delivery against the council's duties and responsibilities to the community, many of which are statutory functions.

The council faced net cost pressures of £5.6 million (3.2% of budget) in 2022/23 after accounting for the one-off use of brought forward COVID Outbreak Management Fund (COMF) monies against eligible expenditure in year. The following table shows the council's actual spend for the year against its planned spend for the year by Directorate with the difference between the two shown as the variance. The negative figures are those where spend was less than planned and the positive figures are where spend was greater than planned.

Service area	Budget £m	Outturn £m	Variance £m
Children and Young People	52.930	62.548	9.618
Community Wellbeing	68.398	67.248	(1.150)
Economy and Environment	27.912	27.574	(0.338)
Corporate Services	18.029	17.253	(0.776)
<b>Sub Total: Services</b>	<b>167.269</b>	<b>174.623</b>	<b>7.354</b>
Central, Treasury Management	8.639	6.844	(1.795)
<b>Total</b>	<b>175.908</b>	<b>181.467</b>	<b>5.559</b>

The £9.6 million overspend in Children and Young People reflects the significant pressures facing the Directorate in respect of increases in unit cost prices, inflation and rising demand for placements and transport services in 2022/23.

The Community Wellbeing Directorate budget returned an underspend of £1.2 million against its £68.4 million net budget. Demand has continued to increase in the year and the outturn position has been achieved through the robust management of care packages and the delivery of additional savings in 2022/23.

The Economy and Environment Directorate has delivered a small underspend of £0.3 million on its £27.9 million net budget. The outturn includes overspends in Planning and Development Control offset by additional income generation activity within the areas of Transport and Regulatory and Technical Services.

The Corporate Services Directorate achieved an underspend of £0.8 million which includes overspends in Asset Management and Property Services offset by a reduction in the bad debt provision following successful recovery of commercial debt in 2022/23 and positive variances in respect of the cost of the council's pension fund deficit recovery contributions arising following the triennial actuarial valuation.

Central and Treasury Management budgets achieved a total underspend of £1.8 million which represents positive variances as a result of prudent treasury management activities in line with the approved Treasury Management Strategy.

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



## Capital Investment Programme

In February 2022, the council approved an initial capital budget of £99.1 million for 2022/23. The final capital programme for the year following reprofiling of expenditure to future years and review of unspent project budgets brought forward from 2021/22 totalled £67.0 million and included the following significant capital projects:

- **Fastershire:** a partnership between Herefordshire Council and Gloucestershire County Council to bring faster broadband to homes and businesses across the two counties. Phase 1 of the project, to provide 90% of the county with fibre broadband with a minimum speed of 26 Mbps, was successfully delivered in 2022/23. Phase 2 will extend coverage across the counties.
- **Hereford City Centre Transport Package:** final land compensation payments have been made and design work for the delivery of the transport hub is near completion; this project is supported by increased funding of £6.3 million from the Levelling-Up Fund.
- **Market Towns Investment:** resurfacing work has been undertaken in the market towns funded by capital budgets for highways and public realm maintenance and the annual Local Transport Plan Grant for highways improvements.
- **Integrated Wetlands:** sites across the county have been acquired to develop wetlands to address phosphate pollution within the River Lugg catchment and provide mitigation through the trading of phosphate credits which will unlock housing development in the north of the county and provide river betterment. The council's first constructed integrated wetland at Luston achieved nutrient certainty in July 2022 and the commencement of trading of phosphate credits for developers was authorised. Further sites will now be developed, funded by income generated from the sale of phosphate credits.
- **Home Energy Efficiencies:** Green Homes Grants and the Home Upgrade Grant have been distributed to enable residents to benefit from more energy efficient heating systems and energy efficient home improvements.
- **Hereford Enterprise Zone:** final infrastructure works were completed in 2022/23 to enable the council to market the remaining plots in 2023/24.
- **Herefordshire Hoard:** external funding to purchase the Herefordshire Hoard of coins and jewellery dating to the Viking period, was secured in 2022/23. The hoard, which represents the single most important archaeological find in half a century and of national significance, will have a future permanent home in the newly improved museum building.

**2022/23 Capital Outturn**

The total expenditure on capital projects in 2022/23 was £46.4 million which represents 69% of the revised budgeted programme. This expenditure was financed by capital grants of £31.6 million, prudential borrowing of £10.0 million, revenue reserves of £0.2 million and capital receipts of £4.6 million.

The £20.6 million underspend comprises £1.7 million of projects that have delivered below project budgets and £18.9 million of budgets to be carried forward to 2023/24.

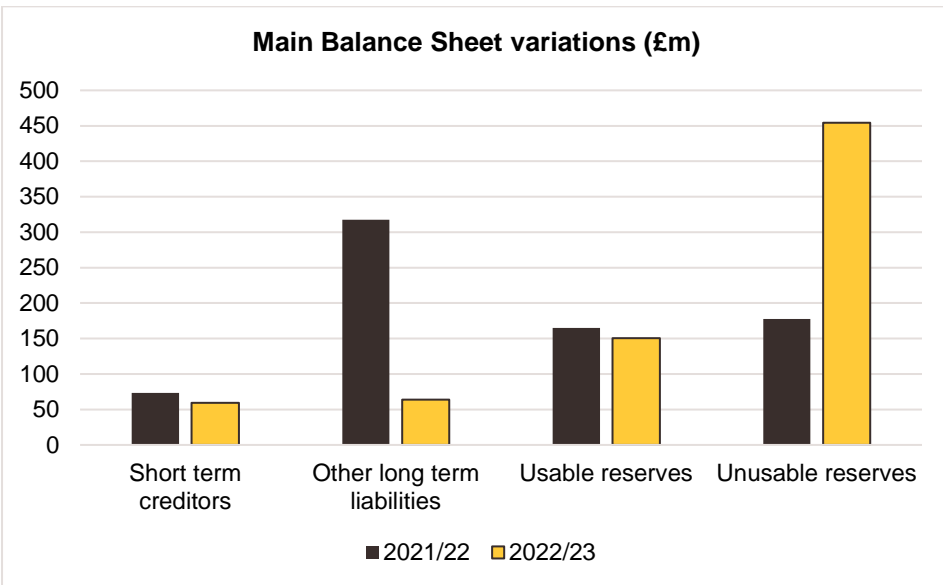
<b>Summary Financial Position</b>	<b>Approved budget £m</b>	<b>Revised budget £m</b>	<b>Expenditure £m</b>	<b>Variance £m</b>
Community Wellbeing Delivery Board	4.000	3.687	2.464	(1.223)
Housing and Accommodation Delivery Board	13.009	2.380	0.846	(1.534)
IT Services Partnership Board	1.923	1.591	0.604	(0.987)
Corporate Transformation Delivery Board	1.881	0.996	0.113	(0.883)
Asset Management Delivery Board	15.708	8.788	3.228	(5.560)
Planning Delivery Board	-	2.532	1.319	(1.213)
Highways Maintenance Delivery Board	19.594	23.615	19.556	(4.059)
Environment and Sustainability Delivery Board	2.556	5.964	2.957	(3.007)
Economic Development Delivery Board	26.196	9.067	9.313	0.246
Major External Funded Delivery Board	1.600	2.323	2.047	(0.276)
Sustainable Transport and Place Making Delivery Board	12.627	6.053	3.973	(2.080)
<b>Total</b>	<b>99.094</b>	<b>66.996</b>	<b>46.420</b>	<b>(20.576)</b>



**Assets and Liabilities**

The Balance Sheet summarises the council’s financial position at 31 March 2023 and reports the assets, liabilities and reserves which show what the council owns and how much it owes. The council’s net assets have increased by £262.2 million from £342.7 million at 31 March 2022 to £604.9 million at 31 March 2023. The key balance sheet variations are noted in the following table and chart:

<b>Summary Financial Position</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>	<b>Movement £m</b>
Assets (what we own)	885.9	877.0	(8.9)
Liabilities (what we owe)	(543.2)	(272.1)	271.1
<b>Net financial position (assets less liabilities)</b>	<b>342.7</b>	<b>604.9</b>	<b>262.2</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves (usable)	(165.1)	(150.5)	14.6
Other reserves (unusable)	(177.6)	(454.4)	(276.8)
<b>Total reserves</b>	<b>(342.7)</b>	<b>(604.9)</b>	<b>(262.2)</b>



**Borrowing and Investments**

The Treasury Management Strategy, approved annually by Council, outlines the proposed borrowing and investment strategy, the council’s expected minimum revenue provision and the associated prudential indicators which demonstrate that the council’s proposed capital investment budget is affordable, prudent and sustainable. External borrowing is obtained, where necessary, to support the council’s capital programme and borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities. No new borrowing was undertaken in 2022/23.

Total borrowing at 31 March 2023, including short term loans, was £122.6 million (£129.4 million at 31 March 2022). Principal debt repayments of £6.9 million were made and interest of £5.0 million was paid on all council borrowing during 2022/23. Net borrowing (after offsetting investments) was £67.0 million as at 31 March 2023 compared with £49.7 million as at 31 March 2022.

**Other Long Term Liabilities**

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

**Pension Fund Liability**

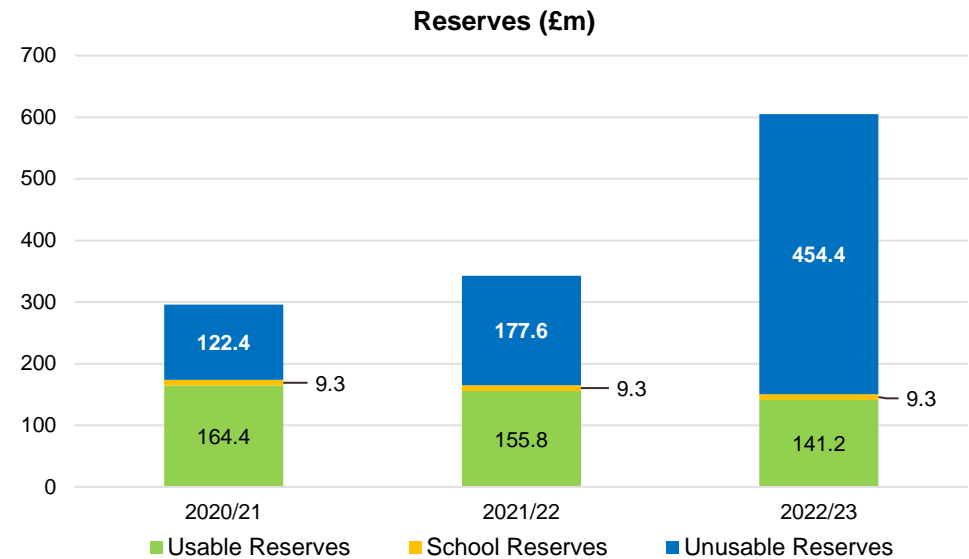
Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund. Herefordshire's proportion of the net deficit on the Worcestershire County Council Pension Fund as at 31 March 2023 is £24.7 million (£272.6 million at 31 March 2022) on an International Accounting Standard (IAS) 19 basis.

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

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

**Reserves**

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



**Usable Reserves**

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



## Unusable Reserves

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

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

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

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

## Financial Resilience and Sustainability

The council's future financial resilience and sustainability is underpinned by robust financial planning to identify key pressures and funding gaps to inform savings and transformation plans which are aligned to strategic and statutory priorities and consistent with workforce, capital, investment and other operational plans. The council has developed a 4 year Medium Term Financial Strategy (MTFS) for the period from 2023/24 to 2026/27 to manage risks to its financial resilience including future demand for services and assumptions in funding.

The most significant medium term financial risks identified are:

- Improvement in Children's Services: The council is working with the Department for Education and the appointed Commissioner for Children's Services and resources have been allocated to address required transformation and improvement.

- Safeguarding the financial position of the council: Key pressures and high risk areas have been identified; robust and regular financial monitoring will enable prompt management action to mitigate the risks of overspends in 2023/24.
- Increasing demand for Adults and Children's Social Care: The council's Looked After Children (LAC) population is higher than our statistical neighbours and continues to require significant resources to support. Demand for Adult Services continues to increase as a result of the demographic shift in the county towards the older ages. The council has started a well-resourced transformation journey to respond to increasing demand for Adults and Children's Social Care services.
- Volatility in government funding streams: The government settlement for 2023/24 is a one year settlement; the MTFS reflects prudent estimates and assumptions in the financial planning over the medium term period where it is acknowledged that uncertainty over future funding exists.
- Uncertainty in rates of interest and inflation: The council's approved Treasury Management Strategy is informed by latest forecasts, provided by our external Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
- High Needs Budgets: These budgets are funded by the Dedicated Schools Grant (DSG) however any overspend remains a council liability. This expenditure is currently being managed within budget however the national trend reflects a growing pressure in this area.

## **Financial Interests in other organisations**

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

In 2022/23, the group accounts include the council's interest in its subsidiary: Hoople Ltd. The financial position of the council, including its interest in Hoople Ltd is presented in the Group accounts at pages 83 to 90.



## **The Council's Responsibilities**

The council is required to:

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

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

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

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

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

The Section 151 Officer has also:

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

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

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015, I certify that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

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

XX/XX/2023

## **Audit and Governance Committee Approval**

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I certify that Audit and Governance Committee approved the Statement of Accounts for 2022/23.

David Hitchiner, Chair of the Audit and Governance Committee

XX/XX/2023



# Financial statements





## Comprehensive income and expenditure statement

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

2021/22 Gross expenditure £m	2021/22 Gross income £m	2021/22 Net expenditure £m		Note	2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net expenditure £m
158.4	(113.7)	44.7	Children and Young People		174.7	(117.5)	57.2
113.5	(56.0)	57.5	Community Wellbeing		119.1	(51.9)	67.2
59.7	(28.1)	31.6	Economy and Environment		95.8	(27.3)	68.5
82.6	(39.1)	43.5	Corporate Services		89.4	(53.6)	35.8
<b>414.2</b>	<b>(236.9)</b>	<b>177.3</b>	<b>Net cost of services</b>	8	<b>479.0</b>	<b>(250.3)</b>	<b>228.7</b>
5.1	(0.5)	4.6	Other operating income and expenditure	10	8.6	-	8.6
17.1	(6.6)	10.5	Financing and investment income and expenditure	11	15.1	(8.8)	6.3
-	(200.2)	(200.2)	Taxation and non-specific grant income	12	-	(211.0)	(211.0)
<b>436.4</b>	<b>(444.2)</b>	<b>(7.8)</b>	<b>(Surplus)/deficit on the provision of services</b>	9	<b>502.7</b>	<b>(470.1)</b>	<b>32.6</b>
		(15.7)	(Surplus)/deficit on revaluation of non-current assets				(28.3)
		(23.2)	Re-measurement of the net defined benefit liability				(266.5)
		(38.9)	<b>Other comprehensive (income) and expenditure</b>				(294.8)
		(46.7)	<b>Total comprehensive (income) and expenditure</b>				(262.2)



## Balance sheet

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

31 March 2022 £m		Note	31 March 2023 £m
681.8	Property, plant and equipment	19	694.8
40.1	Investment property	20	41.9
0.3	Intangible assets		0.4
3.2	Heritage assets		3.9
38.9	Long term debtors	T2	37.3
<b>764.3</b>	<b>Long term assets</b>		<b>778.3</b>
43.0	Short term investments	T2	37.7
0.1	Inventories		0.3
36.0	Short term debtors	22	35.2
42.5	Cash and cash equivalents	23	25.5
<b>121.6</b>	<b>Current assets</b>		<b>98.7</b>

The draft statement of accounts were authorised for issue by the Director of Resources and Assurance (Section 151 officer) on 31 May 2023.

31 March 2022 £m		Note	31 March 2023 £m
(7.8)	Short term borrowing	T2	(4.0)
(73.4)	Short term creditors	24	(59.3)
(3.8)	Short term provisions		(5.1)
(2.3)	Cash and cash equivalents	23	(2.2)
<b>(87.3)</b>	<b>Current liabilities</b>		<b>(70.6)</b>
(3.5)	Long term provisions		(1.8)
(123.0)	Long term borrowing	T2	(119.9)
(11.7)	Capital grants receipts in advance	25	(15.7)
(317.7)	Other long term liabilities	T2	(64.1)
<b>(455.9)</b>	<b>Total long term liabilities</b>		<b>(201.5)</b>
<b>342.7</b>	<b>Net assets</b>		<b>604.9</b>
(165.1)	Usable reserves	29	(150.5)
(177.6)	Unusable reserves	30	(454.4)
<b>(342.7)</b>	<b>Total reserves</b>		<b>(604.9)</b>

## Movement in reserves statement

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

	General fund £m	Earmarked reserves £m	Total general fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total reserves £m
<b>Balance at 31 March 2021</b>	<b>(9.1)</b>	<b>(105.6)</b>	<b>(114.7)</b>	<b>(44.6)</b>	<b>(14.3)</b>	<b>(173.6)</b>	<b>(122.4)</b>	<b>(296.0)</b>
Total comprehensive income and expenditure	(7.8)	-	<b>(7.8)</b>	-	-	<b>(7.8)</b>	(38.9)	<b>(46.7)</b>
Adjustments between accounting basis and funding basis under regulations (note 28)	16.4	-	<b>16.4</b>	1.4	(1.5)	<b>16.3</b>	(16.3)	-
Transfers (to)/from earmarked reserves	(9.1)	9.1	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>(0.5)</b>	<b>9.1</b>	<b>8.6</b>	<b>1.4</b>	<b>(1.5)</b>	<b>8.5</b>	<b>(55.2)</b>	<b>(46.7)</b>
<b>Balance at 31 March 2022</b>	<b>(9.6)</b>	<b>(96.5)</b>	<b>(106.1)</b>	<b>(43.2)</b>	<b>(15.8)</b>	<b>(165.1)</b>	<b>(177.6)</b>	<b>(342.7)</b>
Total comprehensive income and expenditure	32.6	-	<b>32.6</b>	-	-	<b>32.6</b>	(294.8)	<b>(262.2)</b>
Adjustments between accounting basis and funding basis under regulations (note 28)	(17.9)	-	<b>(17.9)</b>	3.1	(3.2)	<b>(18.0)</b>	18.0	-
Transfers (to)/from earmarked reserves	(14.7)	14.7	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(276.8)</b>	<b>(262.2)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(454.4)</b>	<b>(604.9)</b>
Note		31				29	30	

## Cash flow statement

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

2021/22 £m		Note	2022/23 £m
(7.8)	Net (surplus)/deficit on the provision of services		32.6
(39.0)	Adjust net (surplus)/deficit on the provision of services for non-cash movements		(52.9)
1.9	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities		26.4
<b>(44.9)</b>	<b>Net cash flows from operating activities</b>	32	<b>6.1</b>
25.5	Net cash flows from investing activities	33	(0.6)
0.4	Net cash flows from financing activities	34	11.4
<b>(19.0)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>16.9</b>
21.2	Cash and cash equivalents at 1 April		40.2
40.2	Cash and cash equivalents at 31 March	23	23.3
<b>19.0</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(16.9)</b>



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## 1. General accounting policies

### 1.1 General principles

The council is required to produce an annual statement of accounts by the Accounts and Audit Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the code of practice on local authority accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards. The single entity statements and the statement of group accounts have consistently applied the accounting policies detailed within each note. Where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Ltd.

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

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

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

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

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

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

None of these amendments are expected to have a significant 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. Following the outcome of the FRAB review, CIPFA LASAAC formally announced the decision to refer the mandatory implementation of IFRS 16 for local authorities until 1 April 2024. The impact of this change is expected to be immaterial in value.

### 3. Critical judgements in applying accounting policies

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

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

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

#### **Schools' assets**

The council makes a judgement as to whether to account for schools' assets as if they are owned (on balance sheet) or not owned (off balance sheet). This is an assessment based on the level of control and decision-making. The council has assessed that all community, voluntary-aided and voluntary-controlled schools are included on the balance sheet, this is because the council benefits from the service provision within the building and the flow of economic benefits. There are assets included in land and buildings within property, plant and equipment with a net book value of £222.7 million as at 31 March 2023 (£200.7 million as at 31 March 2022). Free schools and academy schools are not included on the balance sheet.



#### 4. Assumptions made about the future and major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or events that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the balance sheet at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment valuations	<p>The council's external valuers provide valuations at 31 March based on a rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>A variation of 5% in the value of land and buildings would be approximately £35 million from the closing net book value of £694.8 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>
Property, plant and equipment depreciation	<p>Depreciation is charged to the comprehensive income and expenditure statement in line with the expected benefit of each asset over its estimated useful economic life (UEL).</p> <p>Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Assets valued as part of the rolling programme are assigned a UEL by the professional valuer; the UEL of assets not subject to external valuation is estimated by officers with appropriate subject knowledge.</p>	<p>The effect on the depreciation charge of changes in the estimated useful live of assets can be measured:</p> <p>A reduction of one year in the assessed useful life would increase the depreciation charge by approximately £6 million with a corresponding decrease in the property, plant and equipment net book value on the balance sheet from the closing net book value of £694.8 million.</p>

## General notes to the financial statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions net liability valuation	<p>The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Mercer) is engaged to provide the council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<p>The effects on the net pension liability (£23.7 million at 31 March 2023) of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>A 0.5% increase in the discount rate used would decrease the liability by £43.1 million.</li> <li>A 0.25% increase in the inflation rate used would increase the liability by £23.3 million.</li> <li>A 0.25% increase in the rate of pay growth used would increase the liability by £2.8 million.</li> <li>An increase of one year in assumed life expectancy used would increase the liability by £11.3 million.</li> <li>A 1.0% increase in investment returns would decrease the liability by £5.3 million.</li> <li>A 1.0% decrease in investment returns would increase the liability by £5.3 million.</li> </ul>

### 5. Contingent liabilities

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

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

### 6. Events after the reporting period

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

There are two types of event;

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

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



## 7. Related party transactions

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

### Central government

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

### Elected Members

Elected Members of the council have direct control over the council's financial and operating policies. A total of £0.7 million allowances and expenses were paid to members in 2022/23 (2021/22 £0.6 million). Elected members of the council may be involved with other local organisations that provide services for or receive services from the council. For 2022/23, there are no material transactions for services to organisations in which Members have declared interests.

### Officers

Officers of the council may be involved with other local organisations that provide services for or receive services from the council. For 2022/23, there are no material transactions for services to organisations in which officers have declared interests.

### Hoople Ltd

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

In 2022/23, the council spent £15.7 million (2021/22 £13.6 million) on services from the company, and received £1.0 million (2021/22 £0.5 million) in income from the company. This is reflected in the single entity comprehensive income and expenditure statement. There is a debtor of £0.2 million (2021/22 £0.3 million) and a creditor of £0.9 million (2021/22 £0.5 million) outstanding at 31 March 2023 and these balances are included in the single entity balance sheet.

The company's Board includes 1 Director who is employed by the council and 1 elected member of the council, these individuals did not receive any remuneration from the company during the year.

### Section 75 Framework Partnership Agreements

The council has 4 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board. The transactions during the year are disclosed in note 15.

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

The council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the council is one of four constituent authorities, alongside Shropshire Council, Worcestershire County Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The council paid £1.7 million to WME in 2022/23 (2021/22 £1.4 million) and received £0.2 million (2021/22 £nil); these transactions are reflected in the comprehensive income and expenditure statement. There is a creditor of £0.1 million (2021/22 £nil) and a debtor of £0.2 million (2021/22 £0.2 million) outstanding at the year-end and these balances are included in the single entity balance sheet.

### **Cyber Quarter Limited**

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

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

## Notes supporting the comprehensive income and expenditure statement

### 8. Expenditure and funding analysis

The objective of the expenditure and funding analysis (EFA) is to demonstrate to council tax payers how the funding available to the council for the year (i.e. government grants, rents, council tax and business rates) has been applied in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision-making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

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

## Notes supporting the comprehensive income and expenditure statement

	2021/22 Net expenditure for internal reporting £m	2021/22 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2021/22 Net expenditure chargeable to the general fund £m	2021/22 Adjustments between accounting basis and funding basis under regulations £m	2021/22 Net expenditure in the CIES £m
Children and Young People	43.8	2.0	45.8	(1.1)	44.7
Community Wellbeing	57.0	1.0	58.0	(0.5)	57.5
Economy and Environment	25.2	13.3	38.5	(6.9)	31.6
Corporate Services	34.4	10.8	45.2	(1.7)	43.5
<b>Net cost of services</b>	<b>160.4</b>	<b>27.1</b>	<b>187.5</b>	<b>(10.2)</b>	<b>177.3</b>
Other income and expenditure	(160.9)	(18.0)	(178.9)	(6.2)	(185.1)
<b>(Surplus)/deficit on the provision of services</b>	<b>(0.5)</b>	<b>9.1</b>	<b>8.6</b>	<b>(16.4)</b>	<b>(7.8)</b>
Opening general fund balance at 1 April			(114.7)		
(Surplus)/deficit			8.6		
<b>Closing general fund balance at 31 March</b>			<b>(106.1)</b>		
Note		8.2		8.1	



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

2021/22 Adjustments for capital purposes £m	2021/22 Adjustments for pensions purposes £m	2021/22 Adjustments for other purposes £m	2021/22 Total adjustments £m		2022/23 Adjustments for capital purposes £m	2022/23 Adjustments for pensions purposes £m	2022/23 Adjustments for other purposes £m	2022/23 Total adjustments £m
(1.9)	0.8	-	(1.1)	Children and Young People	(9.5)	4.8	0.7	(4.0)
(1.2)	0.7	-	(0.5)	Community Wellbeing	(1.4)	2.0	-	0.6
(7.4)	0.5	-	(6.9)	Economy and Environment	23.0	1.4	-	24.4
(7.8)	6.1	-	(1.7)	Corporate Services	(5.4)	1.6	-	(3.8)
<b>(18.3)</b>	<b>8.1</b>	<b>-</b>	<b>(10.2)</b>	<b>Net cost of services</b>	<b>6.7</b>	<b>9.8</b>	<b>0.7</b>	<b>17.2</b>
(0.2)	6.0	(12.0)	(6.2)	Other income and expenditure	2.6	7.6	(9.5)	0.7
<b>(18.5)</b>	<b>14.1</b>	<b>(12.0)</b>	<b>(16.4)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>9.3</b>	<b>17.4</b>	<b>(8.8)</b>	<b>17.9</b>

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

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

2021/22 Capital adjustments not included in internal reporting £m	2021/22 Other adjustments not included in internal reporting £m	2021/22 Recharges included in internal reporting but removed for financial statements £m	2021/22 Reserve movement not included in internal reporting £m	2021/22 Total adjustments £m		2022/23 Capital adjustments not included in internal reporting £m	2022/23 Other adjustments not included in internal reporting £m	2022/23 Recharges included in internal reporting but removed for financial statements £m	2022/23 Reserve movement not included in internal reporting £m	2022/23 Total adjustments £m
0.9	(0.6)	1.7	-	<b>2.0</b>	Children and Young People	4.5	(5.8)	-	-	<b>(1.3)</b>
1.3	0.1	(0.4)	-	<b>1.0</b>	Community Wellbeing	2.4	(2.6)	(0.4)	-	<b>(0.6)</b>
15.5	(1.6)	(0.6)	-	<b>13.3</b>	Economy and Environment	21.9	(4.6)	(0.8)	-	<b>16.5</b>
1.8	(6.5)	3.3	12.2	<b>10.8</b>	Corporate Services	0.5	(3.5)	3.4	15.1	<b>15.5</b>
<b>19.5</b>	<b>(8.6)</b>	<b>4.0</b>	<b>12.2</b>	<b>27.1</b>	<b>Net cost of services</b>	<b>29.3</b>	<b>(16.5)</b>	<b>2.2</b>	<b>15.1</b>	<b>30.1</b>
(17.7)	(11.3)	(1.5)	12.5	<b>(18.0)</b>	Other income and expenditure	(24.7)	(1.0)	(3.9)	8.7	<b>(20.9)</b>
<b>1.8</b>	<b>(19.9)</b>	<b>2.5</b>	<b>24.7</b>	<b>9.1</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>4.6</b>	<b>(17.5)</b>	<b>(1.7)</b>	<b>23.8</b>	<b>9.2</b>

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

## 9. Nature of income and expenditure

2021/22 £m		2022/23 £m
	<b>Income</b>	
(36.0)	Fees, charges and other service income	(48.6)
(4.1)	Trading and investment income	(4.3)
(2.5)	Interest and investment income	(4.4)
(149.6)	Income from council tax and non-domestic rates	(156.9)
(251.5)	Government grants and contributions	(255.9)
(0.5)	Profit on disposal of non-current assets	-
<b>(444.2)</b>	<b>Total Income</b>	<b>(470.1)</b>
	<b>Expenditure</b>	
138.2	Employee benefits expenses	154.5
253.3	Other service expenses	260.7
6.6	Support services recharges (net)	8.1
-	Loss on disposal of non-current assets	3.3
16.1	REFCUS, depreciation, amortisation and impairment	55.8
2.6	Trading and investment expenditure	0.4
14.5	Interest expense	14.6
5.1	Precepts and levies	5.3
<b>436.4</b>	<b>Total expenditure</b>	<b>502.7</b>
<b>(7.8)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>32.6</b>

### Revenue recognition

Income and expenditure is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are made or received. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet, subject to a de-minimis threshold of £5,000 for revenue and £10,000 for capital.

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

## 10. Other operating income and expenditure

2021/22 £m		2022/23 £m
4.9	Parish council precepts	5.1
0.2	Levies	0.2
(0.5)	(Gains)/losses on the disposal of non-current assets	3.3
<b>4.6</b>	<b>Total other operating income and expenditure</b>	<b>8.6</b>

## 11. Financing and investment income and expenditure

2021/22 £m		2022/23 £m
8.6	Interest payable and similar charges	7.0
5.9	Net interest of the defined net pension liability	7.6
(2.5)	Interest receivable	(4.4)
(1.5)	Income and expenditure of trading accounts and investment properties	(3.9)
<b>10.5</b>	<b>Total financing and investment income and expenditure</b>	<b>6.3</b>



## 12. Taxation and non-specific grant income

2021/22 £m		2022/23 £m
(121.2)	Council tax income	(126.1)
(28.4)	Non-domestic rates income	(30.8)
(33.5)	Non-ring fenced government grants	(29.1)
(17.1)	Capital grants and contributions	(25.0)
<b>(200.2)</b>	<b>Total taxation and non-specific grant income</b>	<b>(211.0)</b>

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

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

## 13. Grant income

2021/22 £m		2022/23 £m
(0.6)	Revenue support grant	(0.7)
(32.9)	Other non-ring fenced grants	(28.4)
(121.2)	Council tax income	(126.1)
(28.4)	Non-domestic rates income	(30.8)
(17.1)	Capital grants	(25.0)
<b>(200.2)</b>	<b>Total grants credited to taxation and non-specific grant income</b>	<b>(211.0)</b>
(103.8)	Department for Education	(103.8)
(20.5)	Department for Levelling up, Housing and Communities	(25.3)
(32.1)	Department for Work and Pensions	(31.9)
(0.7)	Department for Transport	(0.8)
(0.6)	Department for Culture, Media and Sport	-
(0.1)	Department for Environment, Food and Rural affairs	(3.9)
(19.1)	Department for Health	(11.7)
(24.0)	Other grants and contributions	(24.4)
<b>(200.9)</b>	<b>Total grants credited to services</b>	<b>(201.8)</b>
<b>(401.1)</b>	<b>Total grant income</b>	<b>(412.8)</b>

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

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

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

## Notes supporting the comprehensive income and expenditure statement

### 14. Dedicated schools grant

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

2021/22 Total £m		2022/23 Central expenditure £m	2022/23 Individual schools budget £m	2022/23 Total £m
(143.1)	Final DSG allocation before academy and high needs recoupment	-	-	(150.5)
52.5	Less academy and high needs figure recouped	-	-	55.7
(90.6)	<b>Total DSG after academy and high needs recoupment for the year</b>	-	-	(94.8)
(0.7)	Brought forward from previous year	-	-	-
0.5	Less carry forward to following year agreed in advance	-	-	-
(90.8)	<b>Agreed initial budgeted distribution for the year</b>	(18.6)	(76.2)	(94.8)
-	In-year adjustments	-	0.2	0.2
-	<b>Final budgeted distribution for the year</b>	(18.6)	(76.0)	(94.6)
17.1	Less actual central expenditure	19.4	-	19.4
74.5	Less actual individual schools budget deployed to schools	-	76.0	76.0
0.8	<b>In year carry forward to following year</b>	0.8	-	0.8
(0.5)	Add carry forward agreed in advance	-	-	-
0.3	<b>Carried forward to following year</b>	-	-	0.8
-	DSG unusable deficit reserve at the end of the prior year	-	-	0.3
0.3	In year addition to the DSG unusable deficit reserve	-	-	0.8
0.3	<b>Total DSG unusable deficit reserve at the end of the year</b>	-	-	1.1

## Notes supporting the comprehensive income and expenditure statement

### 15. Pooled budgets

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

2021/22 Pooled income £m	2021/22 Pooled expenditure £m	2021/22 Net pooled expenditure £m	2021/22 HC managed £m	2021/22 ICB managed £m		2022/23 Pooled income £m	2022/23 Pooled expenditure £m	2022/23 Net pooled expenditure £m	2022/23 HC managed £m	2022/23 ICB managed £m
(23.2)	20.9	(2.3)	12.8	8.1	Consolidated better care fund	(24.2)	24.9	0.7	16.3	8.6
(5.5)	5.7	0.2	4.8	0.9	Consolidated Children's Services	(5.6)	5.9	0.3	5.0	0.9
(1.6)	1.6	-	0.7	0.9	Integrated community equipment store	(1.9)	1.7	(0.2)	0.7	1.0
(2.6)	2.6	-	2.6	-	Hospital discharge fund	(1.3)	1.3	-	0.7	0.6
<b>(32.9)</b>	<b>30.8</b>	<b>(2.1)</b>	<b>20.9</b>	<b>9.9</b>	<b>Total</b>	<b>(33.0)</b>	<b>33.8</b>	<b>0.8</b>	<b>22.7</b>	<b>11.1</b>

The council has 4 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board (ICB). Within the section 75 agreement there are budgets primarily managed by the ICB, budgets primarily managed by the council, pooled budgets (jointly controlled) and aligned budgets. Where services are primarily managed by the council, the income and expenditure are reflected within the net cost of services in the comprehensive income and expenditure statement. This also includes the council's proportion of jointly controlled pooled budgets. Where services are primarily managed by the ICB, the income and expenditure is not reflected in the council's accounts.

The consolidated better care fund comprises the minimum revenue pool, the capital pool, the additional revenue pool and the improved better care fund, and aims to further the integration between health and social care. The consolidated children's services fund aims to improve provision of services to young people with complex educational, social and medical needs. The integrated community equipment store fund aims to provide specialist equipment to people within the community. The hospital discharge fund aims to enhance capacity for discharge from hospitals.



## 16. Officers remuneration

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

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

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

2021/22 Number of school staff	2021/22 Number of non-school staff	2021/22 Total number	Salary banding	2022/23 Number of school staff	2022/23 Number of non-school staff	2022/23 Total number
33	34	67	£50,000 to £55,000	56	54	110
21	11	32	£55,001 to £60,000	17	19	36
13	15	28	£60,001 to £65,000	16	18	34
14	11	25	£65,001 to £70,000	10	6	16
4	3	7	£70,001 to £75,000	7	1	8
5	1	6	£75,001 to £80,000	4	3	7
1	5	6	£80,001 to £85,000	3	5	8
-	3	3	£85,001 to £90,000	1	3	4
1	-	1	£90,001 to £95,000	-	2	2
1	3	4	£95,001 to £100,000	1	1	2
1	-	1	£100,001 to £105,000	1	1	2
-	-	-	£105,001 to £110,000	1	1	2
-	1	1	£110,001 to £115,000	-	1	1
-	1	1	£120,001 to £125,000	-	-	-
1	-	1	£130,001 to £135,000	-	2	2
-	2	2	£140,001 to £145,000	-	-	-
-	-	-	£155,001 to £160,000	-	1	1
<b>95</b>	<b>90</b>	<b>185</b>	<b>Total number of employees over £50,000</b>	<b>117</b>	<b>118</b>	<b>235</b>

## Notes supporting the comprehensive income and expenditure statement

### 16.2. Senior employees' remuneration

2022/23	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)	1	159	-	-	159
Director of Resources and Assurance/Section 151 Officer	2	110	-	19	129
Director of Governance and Law/Monitoring Officer	2, 8	63	-	-	63
Corporate Director, Children and Young People	3	135	-	24	159
Corporate Director, Community Wellbeing (interim)	4	17	-	3	20
Corporate Director, Community Wellbeing	4	105	-	19	124
Corporate Director, Economy and Environment	5	135	-	24	159
Director of Public Health	6	99	-	17	116
Director of HR and OD		92	-	16	108
<b>Total</b>		<b>915</b>	<b>-</b>	<b>122</b>	<b>1,037</b>

## Notes supporting the comprehensive income and expenditure statement

2021/22	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)	1	143	-	-	143
Director of Resources and Assurance/Section 151 Officer	2	111	-	20	131
Solicitor to the Council/Monitoring Officer	2, 8	98	-	23	121
Director for Children and Families	3	22	33	2	57
Corporate Director, Children and Young People	3	33	-	6	39
Director for Adults and Communities	4	52	-	6	58
Corporate Director, Community Wellbeing	4	99	-	17	116
Director of Economy and Place	5	22	90	8	120
Corporate Director, Economy and Environment	5	17	-	3	20
Director of Public Health	6	5	-	1	6
Acting Director of Public Health	7	89	-	16	105
Director of HR and OD		89	-	16	105
<b>Total</b>		<b>780</b>	<b>123</b>	<b>118</b>	<b>1,021</b>

### Notes:

1. The Chief Executive retired on 11 February 2021. A new Chief Executive commenced in post on 4 May 2021.
2. In addition to their substantive roles, the Director of Resources and Assurance/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 Children and Families left on 30 April 2021. The post was filled by temporary contract during the period to 31 December 2021. The post title became Corporate Director, Children and Young People from 1 January 2022.
4. The Director for Adults and Communities left on 4 July 2021. The post was filled by temporary contract during the period to June 2022 when the permanent appointee started. The post title became Corporate Director, Community Wellbeing.
5. The Director for Economy and Place left on 31 July 2021. The post was filled by temporary contract to 13 February 2022. The post titled became Corporate Director, Economy and Environment with a new director commencing in post 14 February 2022.
6. The new Director of Public Health commenced in post in March 2022.
7. An Acting Director for Public Health was appointed effective from 25 November 2020 until March 2022.
8. The Solicitor to the Council/Monitoring Officer left in March 2022. The post has was filled by temporary contract during the period to 4 September 2022. The post title became Director of Governance and Law

## Notes supporting the comprehensive income and expenditure statement

### 17. Termination benefits

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

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

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end. The table does not include actuarial strain paid to the pension fund, which was £0.1 million (£0.1 million in 2021/22).

2021/22 Number of compulsory redundancies	2021/22 Number of other agreed departures	2021/22 Total number of exit packages	2021/22 Total cost of exit packages £000	Exit package cost banding	2022/23 Number of compulsory redundancies	2022/23 Number of other agreed departures	2022/23 Total number of exit packages	2022/23 Total cost of exit packages £000
1	26	27	257	£0 to £20,000	2	12	14	103
-	4	4	104	£20,001 to £40,000	-	5	5	137
-	1	1	44	£40,001 to £60,000	-	-	-	-
-	-	-	-	£60,001 to £80,000	-	-	-	-
-	1	1	90	£80,001 to £100,000	-	-	-	-
<b>1</b>	<b>32</b>	<b>33</b>	<b>495</b>	<b>Total</b>	<b>2</b>	<b>17</b>	<b>19</b>	<b>240</b>



## 18. External audit costs

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

2021/22 £000		2022/23 £000
	<b>Fees relating to the current year</b>	
102	Fees incurred for external audit services	102
78	Expected additional fees for external audit services	119
19	Fees incurred for certification work undertaken by external auditor	19
<b>199</b>	<b>Total current year fees</b>	<b>240</b>
	<b>Fees relating to prior years'</b>	
-	Fees incurred for external audit services	25
20	Additional fees incurred for external audit services	128
-	Fees incurred for certification work undertaken by external auditor	38
<b>20</b>	<b>Total prior years' fees</b>	<b>191</b>
<b>219</b>	<b>Total external audit fees</b>	<b>431</b>

### 19. Property, plant and equipment

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

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

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

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account so that there is no impact on the level of council tax

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

## Revaluations

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

The council's valuations as at 31 March 2023 have been completed by:

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

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

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

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

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

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

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

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised

## 19.1 Property, plant and equipment movements

At 31 March 2023	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	361.4	36.9	1.6	4.5	-	404.4	39.9
Additions	7.6	1.1	-	0.2	0.8	9.7	0.2
Disposals	(3.8)	-	-	(0.6)	-	(4.4)	-
Revaluation	36.1	2.2	-	(1.5)	-	36.8	2.2
Reverse accumulated depreciation	(7.4)	(1.0)	-	-	-	(8.4)	(1.0)
Asset transfers	(1.3)	-	-	1.3	-	-	-
<b>Closing balance at 31 March</b>	<b>392.6</b>	<b>39.2</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>438.1</b>	<b>41.3</b>
<b>Depreciation</b>							
Opening balance at 1 April	(2.5)	(3.5)	-	-	-	(6.0)	(0.2)
Charge for the year	(5.5)	(1.9)	-	-	-	(7.4)	(1.3)
Reverse accumulated depreciation	7.4	1.0	-	-	-	8.4	1.0
<b>Closing balance at 31 March</b>	<b>(0.6)</b>	<b>(4.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.0)</b>	<b>(0.5)</b>
<b>Closing net book value at 31 March</b>	<b>392.0</b>	<b>34.8</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>433.1</b>	<b>40.8</b>
<b>Opening net book value at 1 April</b>	<b>358.9</b>	<b>33.4</b>	<b>1.6</b>	<b>4.5</b>	<b>-</b>	<b>398.4</b>	<b>39.7</b>

## Infrastructure assets

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

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

Infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. The useful lives of the individual elements of the highways network have been reviewed during 2022/23 and are assessed in the table below. The review of this accounting estimate has increased the charge to the comprehensive income and expenditure statement for depreciation relating to infrastructure assets by £36.1 million for 2022/23.

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

At 31 March 2023	£m
Infrastructure assets opening net book value at 1 April	283.4
Additions	24.2
Depreciation charge for the year	(45.9)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>261.7</b>
Net book value of PPE excluding infrastructure assets	433.1
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>694.8</b>



## Notes supporting the balance sheet

At 31 March 2022	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	343.4	35.6	1.6	4.0	-	384.6	36.5
Additions	3.3	0.9	-	0.2	-	4.4	0.4
Disposals	(0.5)	-	-	-	-	(0.5)	-
Revaluation	19.0	3.7	-	0.4	-	23.1	4.2
Reverse accumulated depreciation	(3.3)	(0.9)	-	-	-	(4.2)	(1.2)
Asset transfers	(0.5)	-	-	(0.1)	-	(0.6)	-
Other movements	-	(2.4)	-	-	-	(2.4)	-
<b>Closing balance at 31 March</b>	<b>361.4</b>	<b>36.9</b>	<b>1.6</b>	<b>4.5</b>	<b>-</b>	<b>404.4</b>	<b>39.9</b>
<b>Depreciation</b>							
Opening balance at 1 April	(0.4)	(4.9)	-	-	-	(5.3)	(0.2)
Charge for the year	(5.4)	(2.0)	-	-	-	(7.4)	(1.2)
Reverse accumulated depreciation	3.3	0.9	-	-	-	4.2	1.2
Other movements	-	2.5	-	-	-	2.5	-
<b>Closing balance at 31 March</b>	<b>(2.5)</b>	<b>(3.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.0)</b>	<b>(0.2)</b>
<b>Closing net book value at 31 March</b>	<b>358.9</b>	<b>33.4</b>	<b>1.6</b>	<b>4.5</b>	<b>-</b>	<b>398.4</b>	<b>39.7</b>
<b>Opening net book value at 1 April</b>	<b>343.0</b>	<b>30.7</b>	<b>1.6</b>	<b>4.0</b>	<b>-</b>	<b>379.3</b>	<b>36.3</b>

<b>At 31 March 2022</b>	<b>£m</b>
Infrastructure assets opening net book value at 1 April	269.3
Additions	23.4
Depreciation charge for the year	(9.3)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>283.4</b>
Net book value of PPE excluding infrastructure assets	398.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>681.8</b>

## 19.2 Revaluations

The carrying amount of assets on the rolling programme held at 31 March 2023 total £467.2 million. The effective date of the revaluations are as follows:

<b>Valued as at</b>	<b>Carrying amount of revalued assets £m</b>
31 March 2023	408.9
31 March 2022	58.3
<b>Total</b>	<b>467.2</b>

### 19.3 Revaluation reserve

31 March 2022 £m		31 March 2023 £m
<b>(133.7)</b>	<b>Balance at 1 April</b>	<b>(147.9)</b>
(18.9)	Revaluations upwards	(32.3)
3.3	Revaluations downwards	4.1
0.5	Depreciation of revaluations	0.5
-	Disposal of revaluations	2.3
0.9	Asset transfers	-
<b>(147.9)</b>	<b>Balance at 31 March</b>	<b>(173.3)</b>

### 19.4 Capital commitments

At 31 March 2023 the council had no significant capital commitments (31 March 2022 £nil). The council's policy is that significant contracts are those with a value greater than £1 million.

### 19.5 School assets

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

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

## 19.6 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	Revaluations £m	Total £m
Children and Young People	3.7	(8.7)	(5.0)
Community Wellbeing	0.3	0.6	0.9
Economy and Environment	47.1	(2.3)	44.8
Corporate Services	2.3	1.8	4.1
<b>Total</b>	<b>53.4</b>	<b>(8.6)</b>	<b>44.8</b>

## 19.7 Capital adjustment account

31 March 2022 £m		31 March 2023 £m
<b>(288.5)</b>	<b>Balance at 1 April</b>	<b>(308.5)</b>
	<b>Capital financing:</b>	
(4.8)	Capital receipts	(6.2)
(15.7)	Capital grants and contributions	(21.9)
(0.3)	Revenue contributions to capital expenditure	(0.6)
<b>(20.8)</b>	<b>Total capital financing</b>	<b>(28.7)</b>
(6.9)	Downward revaluations charged to comprehensive income and expenditure statement	(10.3)
16.8	Depreciation charged to comprehensive income and expenditure statement	53.4
(10.7)	Minimum revenue provision	(12.6)
0.3	Revenue expenditure funded from capital under statute	1.2
1.4	Disposal of non-current assets	2.3
(0.2)	PFI adjustments	(1.1)
0.1	Other adjustments	1.0
<b>(308.5)</b>	<b>Balance at 31 March</b>	<b>(303.3)</b>

## 20. Investment property

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

31 March 2022 Investment property £m		31 March 2023 Investment property £m
	<b>Cost or valuation</b>	
38.7	Opening balance at 1 April	40.1
2.4	Additions	0.4
(1.0)	Disposals	(0.4)
(0.6)	Revaluation	1.8
0.6	Asset transfers	-
<b>40.1</b>	<b>Closing balance at 31 March</b>	<b>41.9</b>

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

Fair value measurement using other significant observable inputs Level 2	£m
Investment properties at 31 March 23	41.9
Investment properties at 31 March 22	40.1



## 21. Capital expenditure and capital financing

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

2021/22 £m		2022/23 £m
<b>313.6</b>	<b>Opening capital financing requirement</b>	<b>308.4</b>
	<b>Capital investment</b>	
27.4	Property, plant and equipment	34.4
0.2	Intangible assets	0.1
2.5	Investment properties	0.4
6.9	Revenue expenditure funded from capital under statute	10.9
0.3	Assets acquired under PFI contracts	0.2
0.6	Long term debtors (including loans and PFI prepayments)	0.6
	<b>Sources of finance</b>	
(3.3)	Capital receipts	(4.6)
(6.8)	Loan fund principal	(1.6)
(22.3)	Government grants and other contributions	(31.6)
	<b>Sums set aside from revenue</b>	
-	Direct revenue contributions	(0.2)
(10.7)	Minimum revenue provision	(12.6)
<b>308.4</b>	<b>Closing capital financing requirement</b>	<b>304.4</b>
	<b>Explanation of movements in year</b>	
12.0	Increase in underlying need to borrow	10.0
0.3	Assets acquired under PFI contracts	0.2
(6.8)	Repayment of long term debtors	(1.6)
(10.7)	Minimum revenue provision	(12.6)
<b>(5.2)</b>	<b>Adjusted to services</b>	<b>(4.0)</b>

## Minimum Revenue Provision (MRP)

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

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

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 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

## 22. Short term debtors

31 March 2022 £m		31 March 2023 £m
11.4	Trade receivables	11.0
1.8	Prepayments	2.1
2.2	Non-domestic rates	2.0
7.0	Council Tax	8.6
3.7	VAT	4.1
9.9	Other receivables	7.4
<b>36.0</b>	<b>Total</b>	<b>35.2</b>

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

## 23. Cash and cash equivalents

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

31 March 2022 £m		31 March 2023 £m
5.8	Cash held by the council	7.3
36.7	Short term deposits	18.2
<b>42.5</b>	<b>Total</b>	<b>25.5</b>
(2.3)	Bank current accounts	(2.2)
<b>40.2</b>	<b>Total</b>	<b>23.3</b>

## 24. Short term creditors

31 March 2022 £m		31 March 2023 £m
(6.3)	Trade payables	(5.0)
(19.4)	Receipts in advance	(14.5)
(2.9)	Employee leave accrual	(3.2)
(1.7)	Council Tax	(2.1)
(2.4)	Non-domestic rates	(7.5)
(40.7)	Other payables	(27.0)
<b>(73.4)</b>	<b>Total</b>	<b>(59.3)</b>

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

## 25. Capital grants receipts in advance

31 March 2022 £m		31 March 2023 £m
(2.6)	Central government bodies	(2.2)
(9.1)	Other grants and contributions	(13.5)
<b>(11.7)</b>	<b>Total</b>	<b>(15.7)</b>

### 26. Private finance initiatives (PFI)

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

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

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

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

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

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

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

## Stepnell Limited – School PFI contract

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

## Shaw Homes

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare's performance in providing services. The payments in respect of this contract were £4.5 million in 2022/23 (£4.1 million in 2021/22).

## 26.1. PFI liabilities

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

31 March 2022 Total £m		31 March 2023 Shaw Healthcare £m	31 March 2023 Whitecross school £m	31 March 2023 Waste disposal £m	31 March 2023 Total £m
(47.5)	Balance outstanding at 31 March	(6.1)	(10.0)	(28.4)	(44.5)
3.0	Payments during the year	0.4	0.8	3.3	4.5
(44.5)	<b>Balance outstanding at 1 April</b>	<b>(5.7)</b>	<b>(9.2)</b>	<b>(25.1)</b>	<b>(40.0)</b>

## 26.2. PFI payments

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

	Service charges £m	Lifecycle costs £m	Finance liability £m	Interest £m	Total £m
Within 1 year	5.0	0.5	1.8	2.1	9.4
Within 2 to 5 years	22.7	1.9	10.4	9.9	44.9
Within 6 to 10 years	26.8	2.2	24.5	6.8	60.3
Within 11 to 15 years	5.5	0.1	0.9	1.4	7.9
<b>Balance outstanding at 1 April</b>	<b>60.0</b>	<b>4.7</b>	<b>37.6</b>	<b>20.2</b>	<b>122.5</b>



## 27. Leases

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

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

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

31 March 2022 £m		31 March 2023 £m
0.4	In the year	0.5
0.3	Not later than 1 year	0.4
1.0	Between 1 and 5 years	1.1
1.3	Over 5 years	1.2
<b>3.0</b>	<b>Total due in future years</b>	<b>3.2</b>

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

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

31 March 2022 £m		31 March 2023 £m
(2.7)	Not later than 1 year	(3.5)
(8.2)	Between 1 and 5 years	(9.5)
(22.8)	Over 5 years	(22.0)
<b>(33.7)</b>	<b>Total due in future years</b>	<b>(35.0)</b>

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

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

## Notes supporting the movement in reserves statement

2021/22	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(16.8)	-	-	-	16.8
Impairment and revaluation losses of non-current assets	6.9	-	-	-	(6.9)
Amount by which council tax and non-domestic rate income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations	11.7	-	-	-	(11.7)
Statutory provision for the repayment of debt (MRP)	10.7	-	-	-	(10.7)
Amount by which pension costs calculated in accordance with IAS 19 are different from the contributions due under the pension scheme regulations	(14.1)	-	-	-	14.1
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	7.9	-	-	(7.9)	-
Capital grants and contributions applied to capital financing	9.2	-	-	6.4	(15.6)
Other individual non material adjustments	0.9	-	1.4	-	(2.3)
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>16.4</b>	<b>-</b>	<b>1.4</b>	<b>(1.5)</b>	<b>(16.3)</b>

## Notes supporting the movement in reserves statement

### 29. Movement in usable reserves

Usable reserve	Purpose of reserve	1 April 2022 £m	Transfers out £m	Transfers in £m	31 March 2023 £m
General fund	Revenue resources available to meet future commitments	(9.6)	-	-	(9.6)
Earmarked reserves	Set aside from the general fund for future expenditure to support specific corporate priorities (see note 31)	(96.5)	40.3	(25.6)	(81.8)
Capital receipts reserve	Capital receipts available to meet future capital expenditure	(43.2)	6.2	(3.1)	(40.1)
Capital grants unapplied	Capital grants available to meet future capital expenditure	(15.8)	8.5	(11.7)	(19.0)
<b>Total</b>		<b>(165.1)</b>	<b>55.0</b>	<b>(40.4)</b>	<b>(150.5)</b>

### 30. Movement in unusable reserves

Unusable reserve	Purpose of reserve	1 April 2022 £m	Transfers out £m	Transfers in £m	31 March 2023 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year	2.9	(2.9)	3.3	3.3
Capital adjustment account	Timing differences on capital financing and consumption	(308.5)	33.9	(28.7)	(303.3)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements	1.9	(21.1)	12.5	(6.7)
Financial instruments adjustment account	Valuation gains and losses on financial instruments carried at fair value	0.4	-	-	0.4
Pensions reserve	Movement in measurement of the net defined pension liability	273.3	(282.4)	33.2	24.1
Revaluation reserve	Unrealised gains and losses arising from revaluations of long term assets	(147.9)	6.9	(32.3)	(173.3)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	0.3	-	0.8	1.1
<b>Total</b>		<b>(177.6)</b>	<b>(265.6)</b>	<b>(11.2)</b>	<b>(454.4)</b>

## Notes supporting the movement in reserves statement

### 31. Movement in earmarked reserves

Earmarked reserve	Purpose of reserve	1 April 2022 £m	Transfers out £m	Transfers in £m	31 March 2023 £m
Financial resilience reserve	Amounts set aside to support financial risk	(17.4)	17.4	(1.2)	(1.2)
Business rates reserve	To smooth the impact of changes in business rates retention, collection and funding	(11.0)	-	(2.1)	(13.1)
Schools' balances	Balances held for individual maintained schools	(9.3)	1.2	(1.2)	(9.3)
Waste reserve	To support increased future costs on waste disposal and collection services	(7.9)	0.8	(2.3)	(9.4)
Unused grants carried forward	Unspent grant monies earmarked for future expenditure	(23.1)	14.5	(9.0)	(17.6)
Other individually non material reserves		(27.8)	6.4	(9.8)	(31.2)
<b>Total</b>		<b>(96.5)</b>	<b>40.3</b>	<b>(25.6)</b>	<b>(81.8)</b>



## 32. Cash flows from operating activities

### 32.1 Adjustments for non-cash movements

2021/22 £m		2022/23 £m
(17.6)	Movement in debtors	(2.4)
3.2	Movement in creditors	14.1
-	Movement in inventories	0.2
(9.9)	Depreciation, amortisation and impairment of non-current assets	(43.1)
(1.5)	Carrying amount of non-current assets sold	(4.7)
(14.1)	Net charges for retirement benefits	(17.4)
0.8	Movement in provisions	0.4
<b>(39.0)</b>	<b>Total adjustment for non-cash movements</b>	<b>(52.9)</b>

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

2021/22 £m		2022/23 £m
1.9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.4
-	Any other items for which the cash effects are investing or financing cash flows	25.0
<b>1.9</b>	<b>Total adjustment for investing and financing activities</b>	<b>26.4</b>

### 33. Cash flows from investing activities

2021/22 £m		2022/23 £m
30.4	Purchase of property, plant and equipment, investment property and intangible assets	34.3
(1.9)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4.1)
(3.0)	Other receipts from investing activities	(33.1)
-	Other payments for investing activities	2.3
<b>25.5</b>	<b>Total cash flows from investing activities</b>	<b>(0.6)</b>

Other receipts from investing activities includes receipts of capital grants, receipts from long term loans and proceeds from sale of short term investments.

### 34. Cash flows from financing activities

2021/22 £m		2022/23 £m
(5.0)	Cash receipts of short term and long term borrowing	-
3.0	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	4.5
2.4	Repayments of short and long term borrowing	6.9
<b>0.4</b>	<b>Total cash flows from financing activities</b>	<b>11.4</b>

## T1. Pension schemes

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

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

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. The liabilities are included in the balance sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Liabilities are discounted to their value at current prices using a discount rate of 4.8% (based on market yields and other factors). Assets are included in the balance sheet at their fair value determined through market or bid prices or using professional valuations. The change in the net pension's liability is analysed into six components;

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

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

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

In 2022/23 the council paid employer contributions of £7.4 million (2021/22 £7.2 million) in respect of teachers' pension costs. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.48 million is included in the pension fund liability in the balance sheet in 2022/23 (£0.62 million in 2021/22).

## T1.2. Defined benefit 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. The pension scheme is operated under the regulatory framework for Local Government Pension Schemes.

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

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

2021/22 £m		2022/23 £m
	<b>Comprehensive income and expenditure statement</b>	
	<b>Cost of services</b>	
22.5	Current service cost	25.5
0.1	(Gain)/loss from settlements and curtailments	-
-	Past service cost	0.1
	<b>Financing and investment income and expenditure</b>	
5.7	Net interest expense	7.4
0.2	Administration expenses	0.2
<b>28.5</b>	<b>Total post-employment benefit charged to the surplus/deficit on the provision of services</b>	<b>33.2</b>
	<b>Other comprehensive income and expenditure</b>	
2.1	Remeasurement arising on changes in experience	82.9
(0.3)	Remeasurement arising on changes in financial assumptions	(315.7)
(5.8)	Remeasurement arising on changes in demographic assumptions	(12.5)
(19.1)	Return on plan assets	(21.3)
<b>(23.1)</b>	<b>Total post-employment benefit charged to other comprehensive income and expenditure</b>	<b>(266.6)</b>
	<b>Movement in reserves statement</b>	
(28.5)	Reversal of net charges made to the surplus/deficit on the provision of services	(33.2)
14.4	Amount charged to the general fund balance for employer's contribution payable in the year	15.6

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

31 March 2022 £m		31 March 2023 £m
769.1	Present value of the defined benefit obligation	555.9
(496.5)	Fair value of plan assets	(532.2)
<b>272.6</b>	<b>Net liability arising from defined benefit obligation</b>	<b>23.7</b>

### T1.5. Reconciliation of the present value of scheme liabilities

31 March 2022 £m		31 March 2023 £m
748.7	Opening balance at 31 March	769.1
22.4	Current service cost	25.5
-	Past service cost	0.1
15.6	Interest cost	21.4
3.6	Contribution by scheme participants	4.0
(4.0)	Remeasurement arising from changes in assumptions	(245.3)
0.1	(Gain)/loss on curtailments	-
(17.3)	Benefits/transfers paid	(18.9)
<b>769.1</b>	<b>Closing balance at 1 April</b>	<b>555.9</b>



## T1.6. Reconciliation of the fair value of scheme assets

31 March 2022 £m		31 March 2023 £m
467.0	Opening balance at 31 March	496.5
9.9	Interest income	13.9
19.1	Return on plan assets	21.3
(0.2)	Administration expenses	(0.2)
14.4	Contribution from employer	15.6
3.6	Contributions from employees	4.0
(17.3)	Benefits/transfers paid	(18.9)
<b>496.5</b>	<b>Closing balance at 1 April</b>	<b>532.2</b>

The actual return on scheme assets in the year was £4.8 million, 0.9% of the period end assets (2021/22 £29.0 million, 5.8%).

## T1.7. Local government pension scheme assets

31 March 2022 £m		Quoted Y/N	31 March 2023 £m
	<b>Cash</b>		
-	Cash instruments	N	0.4
-	Cash accounts	N	3.6
-	Net current assets	N	3.8
	<b>Equity instruments</b>		
0.6	UK quoted	Y	0.6
121.5	Overseas quoted	Y	118.9
68.4	Pooled investment vehicle – UK managed funds	N	66.9
198.4	Pooled investment vehicle – UK managed funds (overseas equities)	N	194.2
4.0	Pooled investment vehicle – overseas managed funds	N	3.9
	<b>Property</b>		
3.5	UK property debt	N	5.7
2.3	Overseas property debt	N	3.8
21.9	UK property funds	N	36.2
	<b>Alternatives</b>		
23.4	UK infrastructure	N	30.9
15.6	European infrastructure	N	20.6
13.0	US infrastructure	N	17.2
2.1	UK stock options	N	2.8
(1.0)	Overseas stock options	N	(1.4)
7.8	Corporate private debt	N	10.3
	<b>Bonds</b>		
7.0	LGPS central global pooled funds	Y	6.4
8.0	UK government fixed	Y	7.4
<b>496.5</b>	<b>Closing fair value of scheme assets</b>		<b>532.2</b>

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

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

31 March 2022		31 March 2023
	<b>Mortality assumptions</b>	
	<b>Longevity at 65 for current pensioners (in years)</b>	
22.6	Men	22.0
25.0	Women	24.2
	<b>Longevity at 65 for future pensioners (in years)</b>	
24.1	Men	23.3
27.0	Women	26.1
	<b>Financial assumptions</b>	
3.4%	Rate of CPI inflation	2.7%
4.9%	Rate of increase in salaries	4.2%
3.5%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.8%

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

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2024 is £12.4 million.

## T1.10. Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The LGPS deficit includes a provision for the assessed financial impact of the case law decision in respect of the protections for members nearing retirement being deemed to have given rise to an unlawful age discrimination to younger workers without those protections (McCloud).

31 March 2022 £m		31 March 2023 £m
282.4	Balance at 1 April	273.3
(23.2)	Return on plan assets	(266.7)
28.5	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	33.2
(14.4)	Employer's pension contributions and direct payments to pensioners payable in the year	(15.7)
<b>273.3</b>	<b>Balance at 31 March</b>	<b>24.1</b>
272.6	Local government pension scheme	23.7
0.7	Teachers pension scheme	0.4
<b>273.3</b>	<b>Balance at 31 March</b>	<b>24.1</b>

## T2. Financial instruments

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

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

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

2021/22 Financial liabilities at amortised cost £m	2021/22 Financial assets: loans and receivables £m	2021/22 Total £m		2022/23 Financial liabilities at amortised cost £m	2022/23 Financial assets: loans and receivables £m	2022/23 Total £m
			<b>Interest payable and similar charges</b>			
5.4	-	5.4	On loans	5.0	-	5.0
3.2	-	3.2	On PFI liabilities	2.0	-	2.0
<b>8.6</b>	-	<b>8.6</b>	<b>Total expenditure in surplus/deficit on the provision of services</b>	<b>7.0</b>	-	<b>7.0</b>
			<b>Interest receivable</b>			
-	(2.6)	(2.6)	On loans	-	(4.4)	(4.4)
-	(2.6)	(2.6)	<b>Total income in surplus/deficit on the provision of services</b>	-	(4.4)	(4.4)
<b>8.6</b>	<b>(2.6)</b>	<b>6.0</b>	<b>Net (gain)/loss for the year</b>	<b>7.0</b>	<b>(4.4)</b>	<b>2.6</b>

## T2.2. Financial assets

The council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. All of the council's financial assets are therefore classified as amortised cost. Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

31 March 2022 Per balance sheet £m	31 March 2022 Financial instruments £m		31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m
36.5	36.5	Long term debtors – loans	34.6	34.6
2.4	-	Long term debtors – PFI lifecycle costs	2.7	-
<b>38.9</b>	<b>36.5</b>	<b>Total long term debtors</b>	<b>37.3</b>	<b>34.6</b>
43.0	43.0	Short term investments	37.7	37.7
<b>43.0</b>	<b>43.0</b>	<b>Total short term investments</b>	<b>37.7</b>	<b>37.7</b>
42.5	42.5	Cash and cash equivalents	25.5	25.5
<b>42.5</b>	<b>42.5</b>	<b>Total cash and cash equivalents</b>	<b>25.5</b>	<b>25.5</b>
32.4	32.4	Short term debtors – Sales invoices and contractual rights	29.4	29.4
12.8	-	Short term debtors – Statutory debts (council tax, vat)	14.7	-
1.8	-	Short term debtors – prepayments	2.0	-
(11.0)	-	Short term debtors – bad debt provisions	(10.9)	-
<b>36.0</b>	<b>32.4</b>	<b>Total short term debtors</b>	<b>35.2</b>	<b>29.4</b>
<b>160.4</b>	<b>154.4</b>	<b>Total assets</b>	<b>135.7</b>	<b>127.2</b>

## T2.3. Financial liabilities

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

31 March 2022 Per balance sheet £m	31 March 2022 Financial instruments £m		31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m
(2.3)	(2.3)	Cash and cash equivalents	(2.2)	(2.2)
<b>(2.3)</b>	<b>(2.3)</b>	<b>Total cash and cash equivalents</b>	<b>(2.2)</b>	<b>(2.2)</b>
(0.1)	(0.1)	Short term borrowing – bank loans	(0.1)	(0.1)
(7.7)	(7.7)	Short term borrowing – public works loan board	(3.9)	(3.9)
<b>(7.8)</b>	<b>(7.8)</b>	<b>Total short term borrowing</b>	<b>(4.0)</b>	<b>(4.0)</b>
(36.6)	(36.6)	Short term creditors – invoiced amounts and other contractual liabilities	(25.3)	(25.3)
(7.5)	-	Short term creditors – statutory liabilities (PAYE)	(10.5)	-
(28.5)	(2.9)	Short term creditors – accruals and receipts in advance	(22.6)	(3.2)
(0.8)	-	Short term creditors – funds and deposits held	(0.9)	-
<b>(73.4)</b>	<b>(39.5)</b>	<b>Total short term creditors</b>	<b>(59.3)</b>	<b>(28.5)</b>
(12.4)	(12.4)	Long term borrowing – bank loans	(12.4)	(12.4)
(110.6)	(110.6)	Long term borrowing – public works loan board	(107.5)	(107.5)
<b>(123.0)</b>	<b>(123.0)</b>	<b>Total long term borrowing</b>	<b>(119.9)</b>	<b>(119.9)</b>
(44.5)	(44.5)	Other long term liabilities – PFI and finance leases	(40.0)	(40.0)
(273.2)	-	Other long term liabilities – pensions liability	(24.1)	-
<b>(317.7)</b>	<b>(44.5)</b>	<b>Total other long term liabilities</b>	<b>(64.1)</b>	<b>(40.0)</b>
<b>(524.2)</b>	<b>(217.1)</b>	<b>Total liabilities</b>	<b>(249.5)</b>	<b>(194.6)</b>



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

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

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

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

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

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

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

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

31 March 2022 Carrying amount £m	31 March 2022 Fair value (premature repayment rate) £m	31 March 2022 Fair value (new loan rate) £m		Fair value hierarchy input level	31 March 2023 Carrying amount £m	31 March 2023 Fair value (premature repayment rate) £m	31 March 2023 Fair value (new loan rate) £m
			<b>Financial assets</b>				
36.5	36.5	36.5	Long term debtors	2	34.6	34.6	34.6
43.0	43.0	43.0	Short term investments	n/a	37.7	37.7	37.7
42.5	42.5	42.5	Cash and cash equivalents	n/a	25.5	25.5	25.5
32.4	32.4	32.4	Short term debtors	n/a	29.4	29.4	29.4
<b>154.4</b>	<b>154.4</b>	<b>154.4</b>	<b>Total financial assets</b>		<b>127.2</b>	<b>127.2</b>	<b>127.2</b>
			<b>Financial liabilities</b>				
(118.3)	(156.8)	(139.0)	Public works loan board	2	(111.4)	(114.8)	(104.1)
(12.5)	(20.7)	(17.3)	Bank loans (LOBOs)	2	(12.5)	(13.8)	(11.6)
(2.3)	(2.3)	(2.3)	Cash and cash equivalents	n/a	(2.2)	(2.2)	(2.2)
(39.5)	(39.5)	(39.5)	Short term creditors	n/a	(28.5)	(28.5)	(28.5)
(44.5)	(56.9)	(56.9)	PFI liabilities and finance leases	2	(40.0)	(47.4)	(47.4)
<b>(217.1)</b>	<b>(276.2)</b>	<b>(254.7)</b>	<b>Total financial liabilities</b>		<b>(194.6)</b>	<b>(206.7)</b>	<b>(193.8)</b>

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

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

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

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

### Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). During 2022/23 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access money market funds.

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

31 March 2022 £m		31 March 2023 £m
5.3	Less than 3 months	3.8
1.2	3 to 6 months	1.0
1.0	6 months to 1 year	1.6
3.9	More than 1 year	4.6
<b>11.4</b>	<b>Total</b>	<b>11.0</b>

The general impairment allowance for debtors has decreased by £0.5 million to £0.8 million.

**Liquidity risk**

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

<b>31 March 2022</b> <b>£m</b>		<b>31 March 2023</b> <b>£m</b>
(7.8)	Less than 1 year	(4.4)
(3.1)	Between 1 and 2 years	(7.0)
(19.6)	Between 2 and 5 years	(17.8)
(21.0)	Between 5 and 10 years	(21.4)
(79.3)	More than 10 years	(73.3)
<b>(130.8)</b>	<b>Total</b>	<b>(123.9)</b>

**Market risk**

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council’s treasury advisors. The council sets an annual treasury management strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The table below demonstrates the financial effect of a 1% increase in interest rates at 31 March 2023.

	<b>1% increase in interest rates £m</b>
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.9)
Decrease in fair value of borrowing	11.2



# Group financial statements and notes



## Group comprehensive income and expenditure statement

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

2021/22 Gross expenditure £m	2021/22 Gross income £m	2021/22 Net group expenditure £m		2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net group expenditure £m
157.1	(113.7)	43.4	Children and Young People	173.5	(117.5)	56.0
109.9	(56.0)	53.9	Community Wellbeing	115.6	(51.9)	63.7
59.5	(28.1)	31.4	Economy and Environment	95.3	(27.3)	68.0
94.2	(46.2)	48.0	Corporate Services	101.4	(60.4)	41.0
<b>420.7</b>	<b>(244.0)</b>	<b>176.7</b>	<b>Net cost of services</b>	<b>485.8</b>	<b>(257.1)</b>	<b>228.7</b>
5.1	(0.5)	4.6	Other operating income and expenditure	8.6	-	8.6
17.1	(6.6)	10.5	Financing and investment income and expenditure	15.1	(8.8)	6.3
-	(200.2)	<b>(200.2)</b>	Taxation and non-specific grant income	-	(211.0)	<b>(211.0)</b>
<b>442.9</b>	<b>(451.3)</b>	<b>(8.4)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>509.5</b>	<b>(476.9)</b>	<b>32.6</b>
		<b>(15.7)</b>	(Surplus)/deficit on revaluation of non-current assets			<b>(28.3)</b>
		<b>(23.2)</b>	Re-measurement of the net defined benefit liability			<b>(266.5)</b>
		<b>(38.9)</b>	<b>Other comprehensive (income) and expenditure</b>			<b>(294.8)</b>
		<b>(47.3)</b>	<b>Total comprehensive (income) and expenditure</b>			<b>(262.2)</b>

There is a minority interest of 20% in the subsidiary. There is £nil (2021/22 £0.1 million) included in the surplus on the provision of services and in the total comprehensive income and expenditure figures that is attributable to the minority interest.



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

31 March 2022 £m		31 March 2023 £m
681.8	Property, plant and equipment	694.8
40.1	Investment property	41.9
0.3	Intangible assets	0.4
3.2	Heritage assets	3.9
38.9	Long term debtors	37.3
<b>764.3</b>	<b>Long term assets</b>	<b>778.3</b>
43.0	Short term investments	37.7
0.1	Inventories	0.3
36.6	Short term debtors	36.2
47.7	Cash and cash equivalents	30.0
<b>127.4</b>	<b>Current assets</b>	<b>104.2</b>

31 March 2022 £m		31 March 2023 £m
(7.8)	Short term borrowing	(4.0)
(75.5)	Short term creditors	(61.4)
(4.2)	Short term provisions	(5.2)
(2.3)	Cash and cash equivalents	(2.2)
<b>(89.8)</b>	<b>Current liabilities</b>	<b>(72.8)</b>
(3.5)	Long term provisions	(1.8)
(123.0)	Long term borrowing	(119.9)
(11.7)	Capital grants receipts in advance	(15.7)
(317.7)	Other long term liabilities	(64.1)
<b>(455.9)</b>	<b>Total long term liabilities</b>	<b>(201.5)</b>
<b>346.0</b>	<b>Net assets</b>	<b>608.2</b>
(168.4)	Usable reserves	(153.8)
(177.6)	Unusable reserves	(454.4)
<b>(346.0)</b>	<b>Total reserves</b>	<b>(608.2)</b>

There is a minority interest of 20% in the subsidiary. There is £0.7 million (2021/22 £0.7 million) included in Usable reserves that is attributable to the minority interest.

## Group movement in reserves statement

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

	General fund £m	Earmarked reserves £m	Total General fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total Council reserves £m	Council's share of reserves of subsidiary £m	Total group reserves £m
<b>Balance at 31 March 2021</b>	(9.1)	(105.6)	(114.7)	(44.6)	(14.3)	(173.6)	(122.4)	(296.0)	(2.7)	(298.7)
Total comprehensive income and expenditure	(20.9)	-	(20.9)	-	-	(20.9)	(38.9)	(59.8)	12.5	(47.3)
Adjustments between group accounts and authority accounts	13.1	-	13.1	-	-	13.1	-	13.1	(13.1)	-
<b>Net (increase)/decrease before transfers</b>	<b>(7.8)</b>	-	<b>(7.8)</b>	-	-	<b>(7.8)</b>	<b>(38.9)</b>	<b>(46.7)</b>	<b>(0.6)</b>	<b>(47.3)</b>
Adjustments between accounting basis and funding basis under regulations	16.4	-	16.4	1.4	(1.5)	16.3	(16.3)	-	-	-
Transfers (to)/from earmarked reserves	(9.1)	9.1	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>(0.5)</b>	<b>9.1</b>	<b>8.6</b>	<b>1.4</b>	<b>(1.5)</b>	<b>8.5</b>	<b>(55.2)</b>	<b>(46.7)</b>	<b>(0.6)</b>	<b>(47.3)</b>
<b>Balance at 31 March 2022</b>	<b>(9.6)</b>	<b>(96.5)</b>	<b>(106.1)</b>	<b>(43.2)</b>	<b>(15.8)</b>	<b>(165.1)</b>	<b>(177.6)</b>	<b>(342.7)</b>	<b>(3.3)</b>	<b>(346.0)</b>
Total comprehensive income and expenditure	17.9	-	17.9	-	-	17.9	(294.8)	(276.9)	14.7	(262.2)
Adjustments between group accounts and authority accounts	14.7	-	14.7	-	-	14.7	-	14.7	(14.7)	-
<b>Net (increase)/decrease before transfers</b>	<b>32.6</b>	-	<b>32.6</b>	-	-	<b>32.6</b>	<b>(294.8)</b>	<b>(262.2)</b>	-	<b>(262.2)</b>
Adjustments between accounting basis and funding basis under regulations	(17.9)	-	(17.9)	3.1	(3.2)	(18.0)	18.0	-	-	-
Transfers (to)/from earmarked reserves	(14.7)	14.7	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(276.8)</b>	<b>(262.2)</b>	-	<b>(262.2)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(454.4)</b>	<b>(604.9)</b>	<b>(3.3)</b>	<b>(608.2)</b>

## Group cash flow statement

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

2021/22 £m		2022/23 £m
(8.4)	Net (surplus)/deficit on the provision of services	32.6
(40.2)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(52.2)
1.9	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	26.4
<b>(46.7)</b>	<b>Net cash flows from operating activities</b>	<b>6.8</b>
25.5	Net cash flows from investing activities	(0.6)
0.4	Net cash flows from financing activities	11.4
<b>(20.8)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>17.6</b>
24.6	Cash and cash equivalents at 1 April	45.4
45.4	Cash and cash equivalents at 31 March	27.8
<b>20.8</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(17.6)</b>

## G1. Introduction

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

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

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

## G2. Basis of consolidation

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

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

### G3. Financial performance of the subsidiary

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

<b>Comprehensive income and expenditure statement</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Balance sheet</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
Turnover	(21.2)	(23.5)	Non-current assets	-	-
(Profit) on ordinary activities before taxation	(0.6)	-	Current assets	6.6	6.6
Tax on profit on ordinary activities	-	-	Liabilities due within one year	(3.3)	(3.3)
(Profit) for the financial year after taxation	(0.6)	-	Liabilities due after more than one year	-	-
Other comprehensive income and expenditure	-	-	Net assets	3.3	3.3
Total comprehensive income and expenditure	(0.6)	-	Reserves	3.3	3.3

A full copy of the company's accounts can be obtained from the Directors, Hoople Ltd, Plough Lane, Hereford, Herefordshire, HR4 0LE. The accounts are audited by Williamson & Croft.

### G4. Group accounting policies

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

#### **Taxation**

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

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



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





## Collection fund statement

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

2021/22 Total £m		Note	2022/23 Council tax £m	2022/23 Business rates £m	2022/23 Total £m
	<b>Amounts required to be credited to the collection fund</b>				
144.7	Council tax	C1	150.8	-	150.8
33.6	Business rates income	C1	-	43.1	43.1
0.4	Transitional protection payments receivable		-	-	-
	<b>Contribution towards previous year's deficit</b>				
12.9	Central government		-	6.8	6.8
0.3	Hereford and Worcester fire authority		-	0.1	0.1
12.8	Herefordshire Council		-	6.7	6.7
<b>204.7</b>	<b>Total</b>		<b>150.8</b>	<b>56.7</b>	<b>207.5</b>
	<b>Amounts required to be debited from the collection fund</b>				
	<b>Precepts, demands and shares</b>				
23.1	Central government		-	19.1	19.1
6.5	Hereford and Worcester fire authority		6.3	0.4	6.7
135.6	Herefordshire Council		119.5	18.7	138.2
4.9	Parish and town councils		5.1	-	5.1
16.4	West Mercia police		17.5	-	17.5
-	Transitional protection payments payable		-	0.1	0.1
	<b>Contribution towards previous year's surplus</b>				
-	Hereford and Worcester fire authority		0.1	-	0.1
-	Herefordshire Council		1.3	-	1.3
-	West Mercia police		0.2	-	0.2

## Collection fund statement

2021/22 Total £m		Note	2022/23 Council tax £m	2022/23 Business rates £m	2022/23 Total £m
	<b>Charges to collection fund</b>				
0.3	Cost of collection allowance		-	0.3	<b>0.3</b>
0.2	Write offs of uncollectable debt		0.1	-	<b>0.1</b>
0.9	Increase/(decrease) of bad debt provision		0.6	0.3	<b>0.9</b>
(4.5)	Changes in provision for appeals		-	0.1	<b>0.1</b>
0.6	Other transfers to the general fund		-	0.7	<b>0.7</b>
<b>184.0</b>	<b>Total</b>		<b>150.7</b>	<b>39.7</b>	<b>190.4</b>
<b>20.7</b>	<b>Surplus/(deficit) for the year</b>		<b>0.1</b>	<b>17.0</b>	<b>17.1</b>
<b>(27.3)</b>	<b>Balance brought forward</b>		<b>4.0</b>	<b>(10.6)</b>	<b>(6.6)</b>
<b>(6.6)</b>	<b>Balance carried forward</b>	<b>C3</b>	<b>4.1</b>	<b>6.4</b>	<b>10.5</b>

## C1. Business rates income

The total non-domestic rateable value at the year-end was £135.8 million and the national non-domestic rate multiplier for 2022/23 was 51.2p.

<b>Business rates income</b>	<b>2022/23 £m</b>
Annual debit	68.0
Less	
Empty allowances	(2.7)
Discretionary relief	(0.6)
Mandatory relief	(4.7)
Small business rate relief	(10.4)
Funded reliefs	(6.3)
Enterprise zone relief	(0.2)
<b>Total</b>	<b>43.1</b>

## C2. Council tax income

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2022/23 was £2,113.90 including fire, police and parish precepts, with a range of between £2,040.76 and £2,214.93. The council tax base used for setting the council tax in 2022/23 was 70,252.52. 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	5,263.68
B	£40,001 to £52,000	7/9	11,485.29
C	£52,001 to £68,000	8/9	12,404.86
D	£68,001 to £88,000	9/9	11,824.05
E	£88,001 to £120,000	11/9	13,449.08
F	£120,001 to £160,000	13/9	9,789.30
G	£160,001 to £320,000	15/9	5,721.27
H	Over £320,001	18/9	314.99
<b>Total</b>			<b>70,252.52</b>

Council tax income	2022/23 £m
Council tax debit	181.1
Banding change	5.4
Less	
Discounts	(16.5)
Exemptions	(4.7)
Council tax reduction	(14.2)
Disablement relief	(0.3)
<b>Total</b>	<b>150.8</b>

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

The Collection Fund surplus or (deficit) at 31 March 2023 is split as follows:

	<b>Council tax £m</b>	<b>Business rates £m</b>	<b>Total £m</b>
Central government	-	3.2	<b>3.2</b>
Hereford and Worcester fire authority	0.2	0.1	<b>0.3</b>
Herefordshire Council	3.4	3.1	<b>6.5</b>
West Mercia police	0.5	-	<b>0.5</b>
<b>Total</b>	<b>4.1</b>	<b>6.4</b>	<b>10.5</b>



# Governance statements 2022/23





## Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2022 to 31 March 2023, the key governance mechanisms in place and planned improvements for 2023/24 and beyond.

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

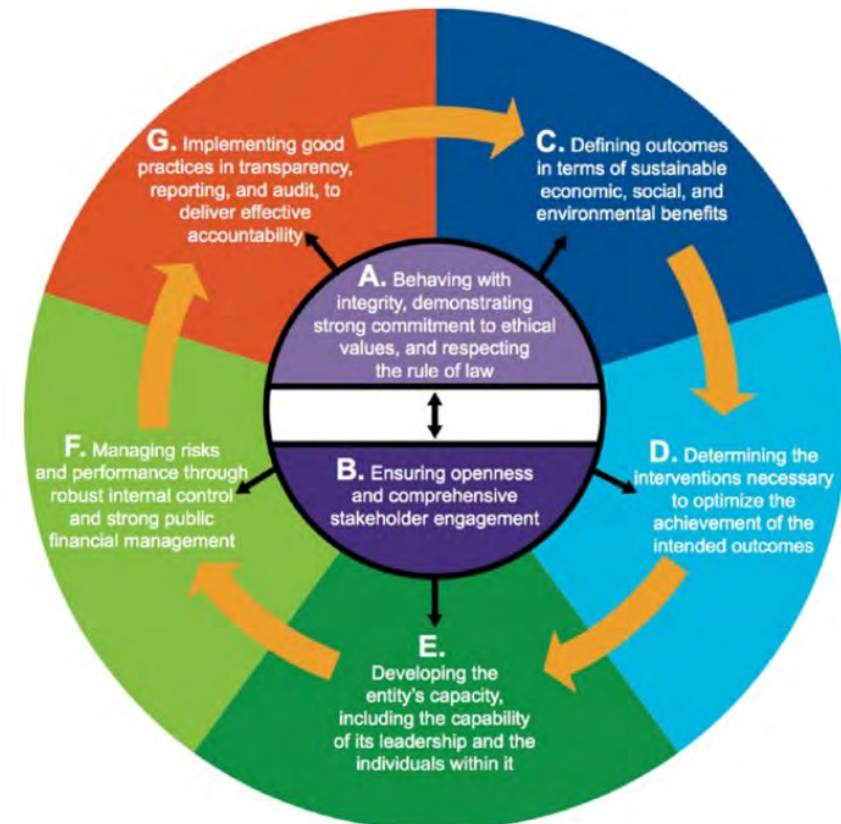
- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and;
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

## The purpose of the Governance Framework

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

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

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



## Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout, 2022/23 are set out below:

### Leader, Cabinet and Council

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

### Decision Making

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

### Risk and Performance Management

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

### Statutory Officers

- Head of Paid Service (the Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Corporate Leadership Team.

- Director of Governance and Legal Services (the Monitoring Officer): responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.
- Chief Finance (Section 151) Officer: responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the council's Scrutiny Committees within the council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer or Chief Finance Officer

### Corporate Leadership Team

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

### Scrutiny Committees

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

### Audit and Governance Committee

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

**External Audit**

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

**Internal Audit**

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

## Review of Effectiveness

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

The results of the annual review of the effectiveness of the council's governance arrangements during 2022/23 are set out below and demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework.

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

### Assessment of the effectiveness of governance arrangements during 2022/23

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

### Key aspects of the council's governance arrangements during 2022/23:

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

- Codes of conduct for officers and Members, revised in 2022/23;

- The Constitution, reviewed in 2021/22 as part of the council's 'Rethinking Governance' programme and adopted in May 2022, which sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people;
- A Whistleblowing Policy, revised in 2022/23 to simplify and include further guidance for staff and managers, including alternative routes for staff and a manager checklist;
- An Equality Policy, to demonstrate our commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010;
- Processes to support delivery of the council's ethical values including Declarations and Registers of Interests;
- A Corporate Complaints Policy ensuring effective investigation and appropriate response to formal complaints; and
- A Shareholder Committee, established in 2022/23, to provide governance arrangements in relation to companies and other legal entities wholly or partly owned, or controlled by the council.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to promote a culture of accountability and strong ethical values through officer and Member training; to increase constitutional awareness and individual responsibility for compliance and ensure that these values become embedded in behaviour.
- Monitoring and oversight of financial and other risks and decision making in respect of the council's subsidiaries to ensure effective governance and separation of duties.
- The Shareholder Committee will ensure that the council's management of its obligations as shareholder, is structured and transparent.

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

**Key aspects of the council's governance arrangements during 2022/23:**

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

Activity during 2022/23 comprised:

- Strengthened engagement with staff through a weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Flexible Futures: Investment in improvements to technology and workplaces to enable collaborative and flexible working practices and support the wellbeing of all employees.
- The 2022 Employee Survey: responses have been considered by the Corporate Leadership Team and the Employee Survey 2022-24 Action Plan has been developed to respond to the priorities identified. Progress against the plan will be reported quarterly.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: the Health and Wellbeing Strategy, the Big Economic Plan, 2023/24 Budget proposals, Signs of Safety survey.
- The council's 'Making It Real' Board was reinvigorated to enable individuals with lived experience to play an active role in adult social care. Members of the Community Wellbeing Directorate Leadership Team have provided regular information and updates to the Board and sought input. In 2022/23, the Board has provided support to improve guidance for financial assessments and has been actively involved in plans for the new Museum to ensure that it is fully accessible.

- The Herefordshire Sustainable Growth Strategy Board was formed in 2022/23 to lead the development of the UK Shared Prosperity Investment Plan and Big Economic Plan. The Economy and Place Partnership Board, consisting of public, private and voluntary sectors, will lead the delivery of the plan in 2023/24 and beyond.
- The council's environmental ambitions and activities are driven by the Climate and Nature Partnership Board which brings together expertise and knowledge across conservation, wildlife, architecture, farming, agricultural policy and media sectors to drive and coordinate achieving zero carbon in the county by 2030.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved co-ordination of the council's internal and external inspection and regulatory framework, to inform assurance and improve information sharing and shared learning from lessons learnt across the organisation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.



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

**Key aspects of the council's governance arrangements during 2022/23:**

- Cabinet agreed the Delivery Plan for 2022-23 on 31 March 2022, in delivery of the County Plan that runs from 2020 to 2024. Performance against the actions identified to deliver the ambitions of the Plan is monitored and reported to Cabinet quarterly. Reporting identifies the lead officer, outlines progress made in the quarter against the performance measures relevant to each action and indicates the assessed risk of delivery.
- There are three key objectives of the county plan that are followed through with actions in the delivery plan:

**Environment:** Protect and enhance our environment and keep Herefordshire a great place to live

**Community:** Strengthen communities to ensure everyone lives well and safe together

**Economy:** Support an economy which builds on the county's strengths and resources

- The council's Big Economic Plan and draft delivery plan sets a vision for sustainable economic growth of the county, improving the quality of life for all, while protecting the natural environment as a key asset. The Six Capitals approach, on which the plan is modelled, provides a framework of actions to tackle climate change and environmental issues, encourage community and social enterprise and identify opportunities in a growing green economy. Delivery of the Plan will be monitored by the Herefordshire Economy and Place Board.
- The Herefordshire Climate and Nature Partnership, established in 2021/22, has continued to drive the county's goal to become carbon net zero and nature rich by 2030 through community engagement and the Greener Footprints campaign.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2023/24 will support transparent and timely reporting aligned to the council's priorities and key objectives.
- Development of the Herefordshire Economy and Place Board in 2023/24 to implement the Big Economic Plan and support effective and collaborative partnership working.
- Consideration of environmental, social and economic arrangements as part of the council's wider deliverables, governance and decision making processes.

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

**Key aspects of the council's governance arrangements during 2022/23:**

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



- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2022/23.
- Responsibility for the delivery of the council's strategic objectives lies with individual Directorates and this is monitored through individual Directorate Plans, Service Business Plans and Individual Personal Development Plans to ensure the alignment of individual activity to corporate ambitions.

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

- In addition to improvements in performance monitoring arrangements, there is a need for a robust system of accountability for performance against corporate, financial and management targets.
- Planned transformation activity in 2023/24 under the council's 'Thrive' programme will accelerate the achievement of improvements in service delivery to include digital transformation and an efficient and improved customer experience.

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

In September 2022, the council's Children's Services were rated inadequate and a statutory direction was issued by the Secretary of State and a Commissioner for Children's Services was appointed. Planned actions to improve are noted below under Significant Governance Issues.

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

**Key aspects of the council's governance arrangements during 2022/23:**

- To deliver the council's objectives, we rely on our staff to undertake daily duties underpinned by the PEOPLE values; a set of principles which shape our culture, guide activity and aid decision making:

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

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

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

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

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

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

- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. The council has invested significantly in its learning offer, informed by feedback from the employee survey. The My Learning Hub includes topics covering core skills identified as learning gaps in the survey including: coaching skills, resilience, public speaking and presentation, productivity and smarter working.
- The council's performance and development planning process: My Conversation, covers employee health and wellbeing, a review of performance, individual outcomes and personal development and this process promotes discussion and sharing of feedback and recognition.
- The Workforce and Organisation Development Strategy supports the council's aim to develop an engaged, agile and resilient workforce, enabled through the council's Flexible Futures programme and planned transformation activity.

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

- The capacity and capability of Members and officers should be further developed through enhanced arrangements for tailored training relevant to individual roles and responsibilities.
- The council's recruitment and retention activity should be reviewed, in the context of regional and national recruitment challenges, to ensure the permanency of our workforce to create stability, consistency and continuous improvement in the delivery of services.

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

## **Key aspects of the council's governance arrangements during 2022/23:**

- The council's performance management framework sets out the approach to business planning, monitoring performance and risk management and this structure enables the alignment of resources, people and finance to the ambitions outlined in the County Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and service delivery targets.
- Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The council's Risk Management Plan details the methodology for evaluating corporate risk management arrangements and its delivery is monitored by Audit and Governance Committee.
- The council operates 3 levels of risk registers; Corporate, Directorate and Service. The highest risks are included in the Corporate Risk Register, with lower level operational risks recorded in Service Risk Registers. Alongside these, project risks are identified in Project and Programme Risk Registers.

- The council's Counter Fraud and Corruption Strategy promotes a culture in which fraud, bribery and corruption are not tolerated and supports the prevention and detection of fraud across the organisation. Work to raise awareness internally and externally has been carried out in 2022/23: additional training has been delivered to staff and Members, the website content has been improved to aid the reporting of instances of fraud and we have continued to develop methods of partnership working to identify and investigate fraud.
- An assessment of the council's maturity in relation to fraud was carried out by Internal Audit during the year and this highlighted improvements in culture and awareness as well as reporting, investigating and monitoring.
- The council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.
- The Financial Procedures Rules (FPRs) control the way the council manages its finances and safeguards its assets. They form part of the Constitution and outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making.
- A review of internal financial reporting has been undertaken during 2022/23. Through consultation with stakeholders across the council and collaborative working, improvements in monitoring and reporting have been delivered to support the early identification of key financial risks and the implementation of recovery plans and mitigating actions.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Development of the Shareholder Committee, established during 2022/23, to monitor the position and performance of the council's subsidiary interests and identify risks relevant for escalation to Cabinet.
- A review of the council's risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
- The council's Corporate Leadership Team will set the organisational risk strategy aligned to planned transformation activity in 2023/24 and training will be developed for Officers and Members.

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

## **Key aspects of the council's governance arrangements during 2022/23:**

- Information is published on the council's website to provide details of the working of the organisation, what we spend, and how our decisions are made. All council decisions are published, along with agendas and minutes for Committees.
- Cabinet or Cabinet Member decisions are in place for all related activity, with appropriate delegations identified.
- Cabinet members are briefed at monthly portfolio briefing meetings, and weekly cabinet meetings.
- The council's Monitoring Officer has a specific duty to ensure the council, its Officers and Members maintain the highest standards in their values and behaviours.
- Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.

- The council is registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. There is a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Increased focus on the council's performance measures and cohesive public reporting through improved performance monitoring and holding to account against corporate objectives.
- To ensure that there is an effective and transparent scrutiny process, additional training should be provided and a strengthening of arrangements for briefing sessions between Members and officers.

## Significant Governance Issues

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

- **Improvements in Children's Services:** the Herefordshire Children's Services Improvement Plan has been developed to transform children's social care services. The detailed action plan sets out how the council will address each of the areas identified for improvement by Ofsted following a review of the service in July 2022 and a further area identified during a recent Local Government Association (LGA) Special Education Needs and Disabilities (SEND) Peer Review. It has been developed in collaboration with a range of stakeholders including children, young people, parents, carers, the workforce and multi-agency and cross-sector partners. Delivery against the plan will be monitored through the Children's Improvement Board, chaired by an independent Improvement Advisor, and reported to Cabinet. The council will continue to work closely with the Children's Commissioner and the Department for Education appointed Improvement Advisor, to deliver improvements in 2023/24. The Commissioner will continue to oversee the improvement programme and the council will look to secure a long-term improvement partnership with another Ofsted rated 'Good' or 'Outstanding' neighbouring local authority to support best practice in the implementation of activity to improve outcomes for children and young people across the county.
- **Financial Management and Resilience:** ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of agreed savings plans.

## Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2021/22, Grant Thornton gave an unqualified audit opinion on the financial statements.

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

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

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

For the year ended 31 March 2023, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the council's governance, risk management and internal control environment.

## Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective for the period from 1 April 2022 to 31 March 2023. We will use the areas for improvement identified through this review of effectiveness to ensure that these governance arrangements, alongside identified areas for improvement, continue to provide effective foundations for the council to achieve its objectives.

**Paul Walker**  
**Chief Executive**  
**Date: XX/XX/2023**

**Jonathan Lester**  
**Leader of the Council**  
**Date: XX/XX/2023**

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



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

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

Term	Definition
Revaluation reserve	<p>The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:</p> <ul style="list-style-type: none"> <li>a) revalued downwards or impaired and the gains are lost</li> <li>b) used in the provision of services and the gains are consumed through depreciation, or</li> <li>c) disposed of and the gains are realised.</li> </ul> <p>The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date were consolidated into the capital adjustment account.</p>
Revenue	<p>The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.</p>
Short term absences account	<p>The short term absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.</p>