Herefordshire Council

Herefordshire Council Statement of Accounts 2020/21

Herefordshire Council

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

Herefordshire Council

Narrative Report 2020/21

Introduction

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

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

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

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

An Introduction to Herefordshire

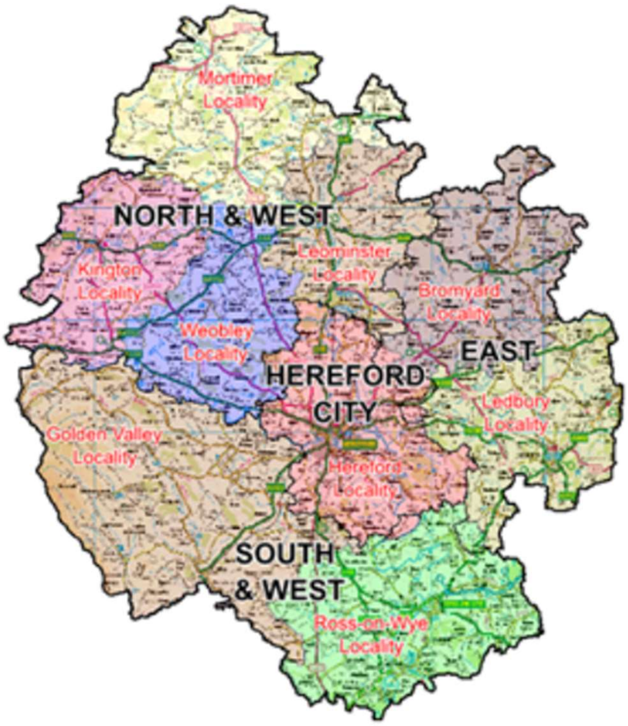
Herefordshire lies just south of the West Midlands sandwiched between Worcestershire and the breath-taking Brecon Beacons of Wales to the west. The county has beautiful unspoilt countryside with remote valleys and rivers and a distinctive heritage. The county's rolling pastures, rural charm and rustic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

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

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

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

Herefordshire Council



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

Covid-19

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

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

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

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

The Council was quick to establish processes for awarding grants under the various central government schemes including business grants. Around £90m in grant support was paid to Herefordshire businesses in 2020/21 in addition to approximately £30m in business rate relief.

Performance

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

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

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

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

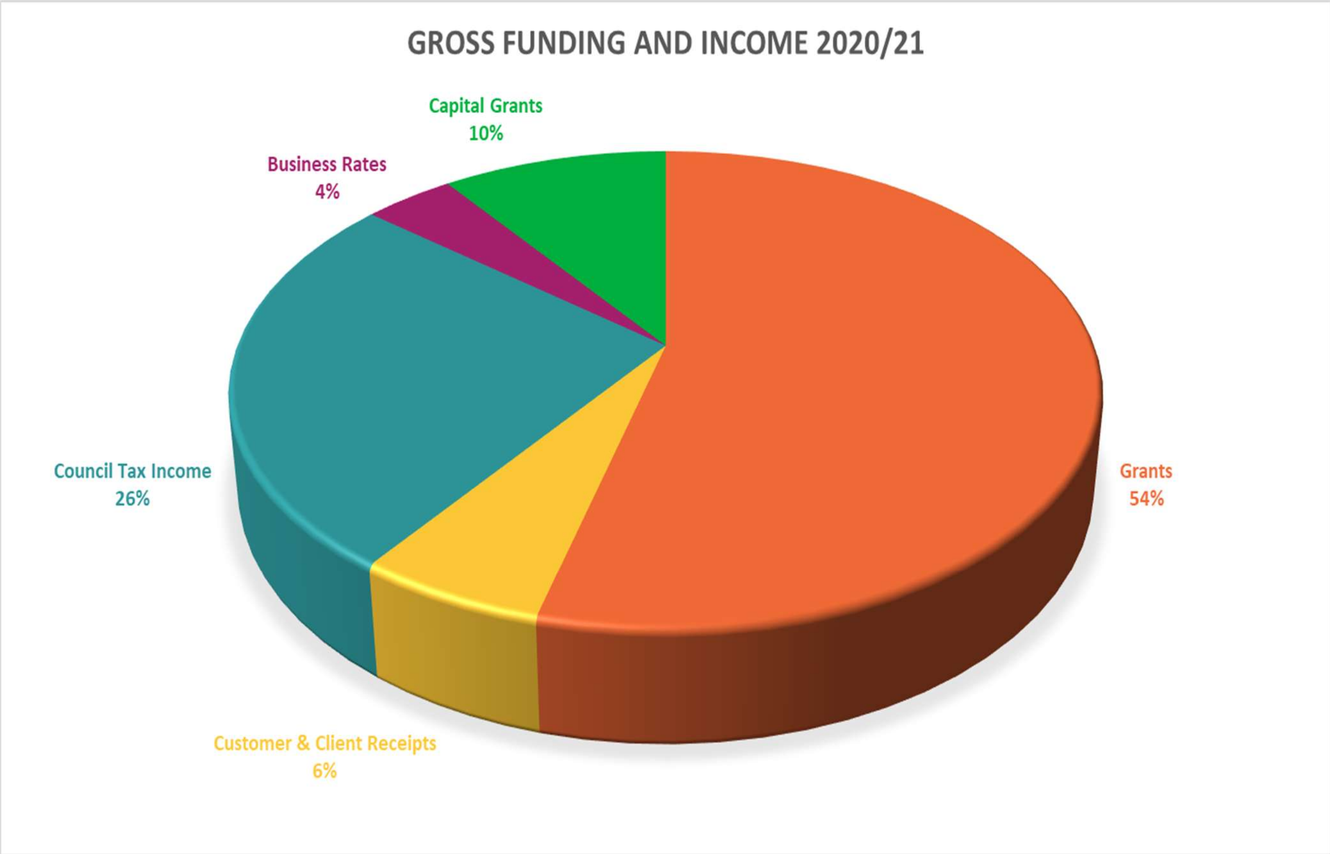
Financial performance

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

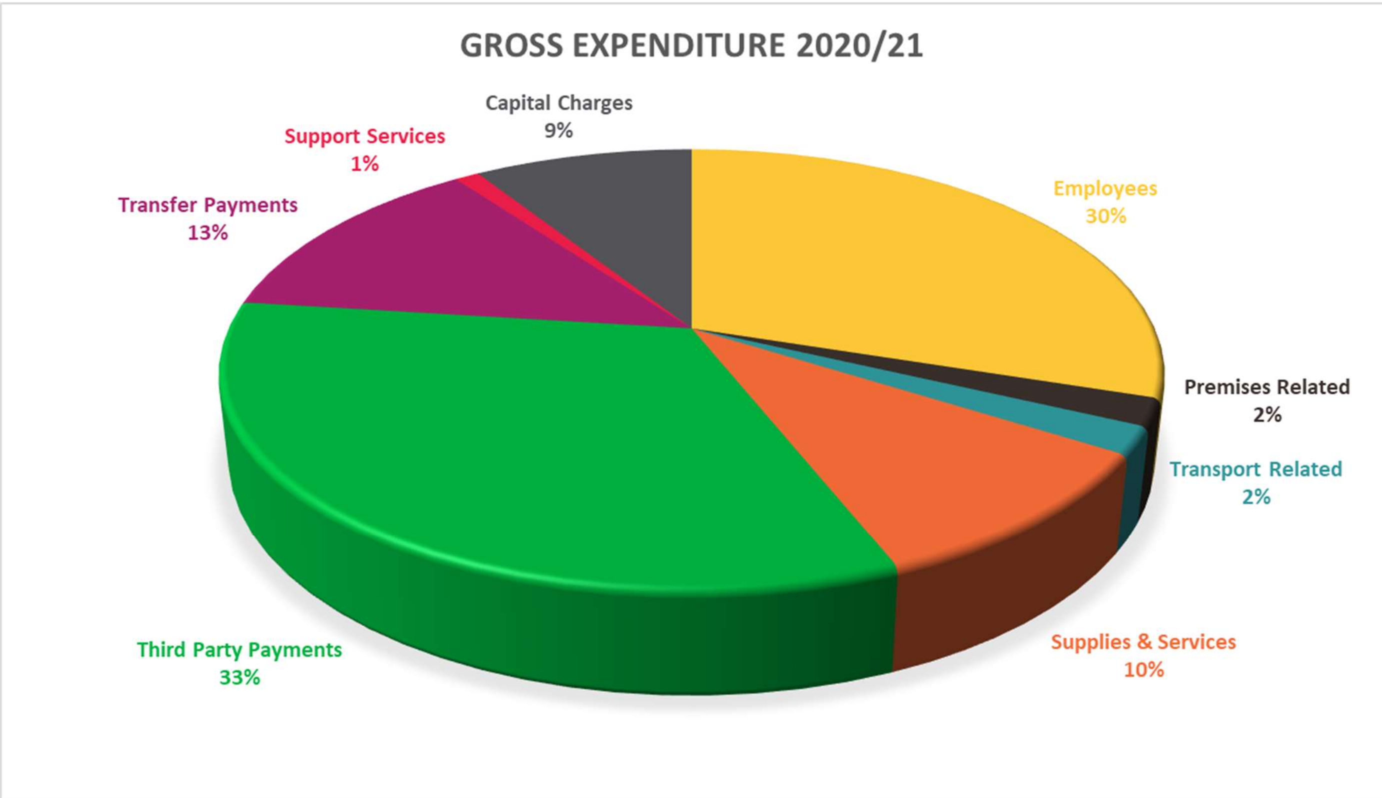
The council delivered a balanced outturn due to £9.9m of direct Covid-19 additional to budget costs being funded by central government.

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

Herefordshire Council



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



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

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

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

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

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

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

- *Fastershire - this is a partnership tasked with bringing faster broadband to the county. Phase 1 aimed to provide 90 per cent of Gloucestershire and Herefordshire with fibre broadband with a minimum speed of 2Mbps by 2016 and Phase 2 will extend fibre coverage further across the counties. The ultimate aim is that by the end of 2022/23 there will be access to fast broadband for all who need it. Fastershire won the top prize at the national Connected Britain awards.*

- *Maylords Shopping Centre in Hereford city centre was purchased for £4.2m inclusive of all fees. The proposed purchase was a strategic acquisition which would support the council's policies in respect of economic growth and enable the council to plan for any future demand or development opportunity that may arise in line with the cabinet's county plan objectives.*

- *Marlbrook Primary School's new permanent building to accommodate the additional six classrooms required to remove all temporary accommodation and provide the teaching space required for the additional pupils opened in February 2021.*

- *The development of Shell Store site on the Hereford Enterprise Zone commenced in summer 2019 and completed in 2020 following a delay in construction related to Covid-19. The £7.5m redevelopment will establish the first purpose built business incubator facility in the county. The Shell Store will provide employment space for up to 40 dynamic and innovative businesses, driving economic growth through the generation of new jobs.*

- *The construction of a £9m Midlands Centre for Cyber Security on the Hereford Enterprise Zone completed in*

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

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

Risks and uncertainties

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

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

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

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

Significant provisions, contingencies and write-offs

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

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

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

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

Pensions

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

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

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

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

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

An explanation of the financial statements

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

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

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

Capital Investment Budget

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

Herefordshire Council

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

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

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

Future years' capital programme

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

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

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

Funding capital investment

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

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

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

Council borrowing

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

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

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

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

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

Council reserves

2020/21 saw the councils general reserve balance increase to £9.1m. Herefordshire's medium term financial strategy includes a reserves policy and the reserve position is reviewed by Council on an annual basis. Specific earmarked reserves are set aside to deal with expenditure commitments in future years, these totalled £105.6m (this includes £10.3m school balances and £13.5m in relation to carried forward business rate relief grant from central government) as at 31 March 2021.

Annual governance statement

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

Herefordshire Council

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Section 151 Officer

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the statement of accounts

The Section 151 Officer - Responsibilities

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

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

a. Selected suitable accounting policies and then applied them consistently

b. Made judgements and estimates that were reasonable and prudent; and

c. Complied with the local authority Code of Practice

The Section 151 Officer has also:

a. Kept proper accounting records which were up to date; and

b. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer (Section 151 Officer)

I confirm that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Andrew Lovegrove, Chief Finance Officer (section 151 officer)

24 November 2021

Herefordshire Council

Independent Auditors Report

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Herefordshire Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Accounts, the Statement of Group Accounts (Introduction and Basis of Consolidation), the Notes to the Statement of Group Accounts and the Notes to the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 1.48 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group's land and buildings as at 31 March 2021. As, disclosed in Note 1.48 to the financial statements, retail and specific trading related assets, such as car parks, continue to be faced with an unprecedented set of circumstances caused by Covid-19. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority 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 authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

  The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

- We enquired of senior officers and the Audit and Governance committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
  - Journals and transactions outside the course of business.
  - management estimates in particular those relating to land and buildings, investment property and the net pension fund liability valuations.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual and high risk journals made during the year and accounts production stage;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy,

efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Herefordshire Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Herefordshire Council

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

JD Roberts

Jon Roberts, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date: 14 December 2021

Core Financial Statements and Explanatory Notes

Movement in Reserves Statement

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

Movement in Reserves Statement 2019/20 comparative

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

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

Cash Flow Statement

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

Notes to the Accounts - Accounting Policies

1.1 General Principles

The council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards. The core statements and the statement of group accounts have consistently applied the accounting policies below, where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Limited.

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Borrowing Costs

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

1.4 Cash and cash equivalents

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

1.5 Contingent liabilities

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

Employee benefits

1.6 Benefits payable during employment

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

1.7 Termination benefits

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

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

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

1.8 Post-employment benefits

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

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

Pension schemes are classed as either defined contribution or defined benefit plans. The above schemes provide defined benefits to members, built up during the time that employees work for the council.

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

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

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

a) The liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees;
b) Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on market yields and other factors);
c) Assets are included in the Balance Sheet at their fair value determined through market or bid prices or using

professional valuations;

d) The change in the net pension's liability is analysed into six components;

i. **Current service cost:** The increase in liabilities as a result of service earned in the year is allocated to the revenue account of the services for which the employee worked, within the Comprehensive Income and Expenditure Statement

ii. **Past service cost:** The increase in liabilities arising from a scheme amendment or curtailment whose effect relates to service earned in earlier years is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

iii. **Net Interest on the defined benefit liability:** The change during the period that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

iv. **Return on plan assets:** Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure but excludes amounts included in net interest on defined benefit liability.

v. **Actuarial gains and losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions previously made by the actuaries is included in Other Comprehensive Income and Expenditure.

vi. **Contributions paid to the pension fund:** Cash paid as employer's contributions to the pension fund.

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

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

1.9 Events after the balance sheet date

Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

There are two types;

a) Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts; and

b) Those that relate to conditions after the reporting period, which are not adjusted in the accounts, rather disclosed in the notes to the statements.

1.10 Extraordinary items

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

1.11 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively.

Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.12 Financial Instruments

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

1.13 Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity.

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument and are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement. The council has two stepped interest rate loans, where the effective interest rate differs from the loan agreement.

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

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

1.14 Financial assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

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

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

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.15 Government grants and other contributions

Grants and contributions are recognised in the accounts when there is reasonable assurance that;

- The council will comply with any conditions attached to them, and
- The grants or contributions will be received.

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

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

- Where conditions of the grant are outstanding at the balance sheet date, they are recognised as Capital Grants Receipts in Advance. Once the conditions have been met the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.

- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, no conditions remain outstanding and the expenditure has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account. This reflects the application of capital resources to finance expenditure and is reported in the Movement in Reserves Statement.

- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account. When the expenditure is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure.

1.16 Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Rentals earned are recognised as income in the Comprehensive Income and Expenditure Statement on an accrued basis. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Management aim for a minimum return of 4% on investment assets.

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

Gains and losses on revaluation are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains or losses on disposal of an investment property are treated in the same way.

Gains or losses recognised in the Comprehensive Income and Expenditure Statement are not proper charges to the General Fund and are reversed out through the Movement in Reserves Statement as follows;

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

1.17 Fair Value Measurement Policy

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

A definition of fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions.

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

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

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

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

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

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

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

For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of property has been ranked into three tier groups based upon the criteria below. All investment property fair value measurements have been assessed at tier level two and financial instruments have been assessed at tier level two or tier level three.

Criteria	Tier Level
Comparable evidence that is identical to the asset that is being measured in terms of: • Physical Location • Condition • Orientation • Levels of Natural Light • View • Access and visibility • Tenure and Covenants • Construction Type and Cost • Size and Layout • Facilities • Lease Options • Obsolescence	1

Criteria	Tier Level
• Comparable evidence available within an active market of similar assets • Comparable evidence for similar assets or liabilities in markets that are not active • Non-value comparable evidence (e.g. yields) for similar asset types available • Comparable evidence corroborated by observable market evidence • Implied and non-implied covenants within the lease negating the need for comparable evidence • Transparency of Market Data • Minimal principal adjustment of comparable evidence, non-significant adjustment • Comparable analysis	2
• No comparable evidence available • Unobservable inputs • Comparable evidence requires significant adjustment from the principal market	3

1.18 Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of a leased asset lie with the lessor or the lessee.

1.19 Finance leases

a) Where the council is lessee - finance leases are recognised as assets and liabilities at the fair value of the property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. Assets recognised under a finance lease are depreciated over the shorter of the lease term and the asset's useful economic life. Assets recognised under a finance lease are subject to revaluation in the same way as any other asset.

b) Where the council is lessor - assets held under a finance lease are recognised as a debtor equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and interest. The only assets held under finance leases are Academy schools. These assets are transferred to the school under a peppercorn rent and treated as an asset disposal.

1.20 Operating leases

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

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

1.21 Arrangements containing a lease

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

a) The arrangement depends on use of a specific asset

b) The arrangement conveys the right to use the asset

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

1.22 Overheads and Support Services

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

1.23 PFI schemes

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on its Balance Sheet.

The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider.

Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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

a) Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

b) Finance cost – a percentage interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement under Financing, investment income & expenditure.

c) Contingent rent – differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement.

d) Payment towards liability – applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.

e) Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the Balance Sheet and recognised as property, plant and equipment when the contractor incurs the expenditure.

The council has two traditional PFI contracts, one in partnership with Worcestershire County Council for the provision of waste management services and the other for the provision of Whitecross High School. The council also has one contract that falls within the definition of a similar contract to a PFI, which is the Shaw Healthcare contract for the provision of residential care services. Under the Shaw Healthcare contract the rent and service charges paid to Shaw by residents for the council's extra care flats at Leadon Bank have been treated as a contribution to the revenue costs of the units.

1.24 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use on the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used for more than a year.

1.25 Recognition

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

a) it is probable that the future economic benefits or service potential will flow to the council, and

b) the cost of the asset can be measured reliably.

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

1.26 Schools

In line with accounting standards and the Code, schools are considered to be under the Council's control so the income, expenditure, current assets, liabilities and reserves are consolidated into the Council's accounts and included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to Academy, or Free School, status it is no longer under the control of the Council and, therefore, its income, expenditure, assets, liabilities and reserves are no longer consolidated into the Council's accounts.

The current value of schools is included using Depreciated Replacement Cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

1.27 Measurement

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

a) purchase price;

b) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management; and

c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

a) Community assets and assets under construction – historical cost.

b) Land and buildings – current value in accordance with Royal Institution of Chartered Surveyors guidelines. Where there is no market-based evidence of current value because of the specialist nature of the asset current value may need to be estimated using a depreciated replacement cost approach (DRC).

c) Vehicles, plant and equipment – depreciated historical cost (as a proxy for current value)

1.28 Revaluations

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

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

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

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

1.29 Depreciation

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

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

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

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

1.30 Impairments

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

a) A significant decline in an asset’s value during the year, which is specific to the asset

b) Evidence of obsolescence or physical damage of an asset

c) A commitment by the council to undertake a significant re-organisation

d) A significant adverse change in the statutory or other regulatory environment in which the council operates

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

1.31 Asset held for sale

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

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

1.32 Disposals

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

a) Crediting the Capital Receipts Reserve with the disposal proceeds; and

b) Debiting the Capital Adjustment Account with the carrying amount of the asset on disposal.

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

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

1.33 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.34 Agency arrangements

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

1.35 Pooled budgets

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

1.36 Provisions

A provision is recognised when:

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

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

1.37 Reserves

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

1.38 Unusable reserves

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

1.39 Charges to revenue for non-current assets

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

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

1.40 Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (minimum revenue provision), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

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

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 2%.
- MRP on unsupported borrowing incurred before 1 April 2008 will be written down on a straight line basis over the asset life.
- MRP on unsupported borrowing from 1 April 2008 onwards is written down on an annuity basis with an annuity rate of 3%.
- MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year.

1.41 Value added tax

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

1.42 Revenue recognition

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

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

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

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

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

Interest; revenue is recognised when;

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

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

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

1.43 Interests in Companies and Other Entities

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

West Mercia Energy

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

South West Audit Partnership

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

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

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

1.45 Council Tax

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

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

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

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

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

The accounting standards the Council must follow when preparing the Statement of Accounts are now endorsed by the UK instead of the EU.
At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom, these are:
• Amendments to IFRS 3 – Business Combinations – Definition of a Business
• Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)
None of these amendments are expected to have an impact on the Council's accounts in future years.

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

1.47 Critical judgements in applying accounting policies

In applying accounting policies the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in these Statement of Accounts are:

- The council is deemed to control the services provided by Shaw Healthcare under the contract for the development and provision of residential homes and day care centres. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement with the associated non-current assets included in the balance sheet with a corresponding finance liability.

- The council has relationships with a number of companies as detailed in the accounts and it has been determined that it will prepare group accounts to report its group position for the Council and its subsidiary, Hoople Limited.

- Herefordshire Council has committed to guarantee any deficit shortfall that may arise in Hoople Limited's Local Government Pension Scheme. For this reason both entities will be treated as a single entity for the purpose of determining contributions falling due and the council accounts report the combined deficit position.

- The council has determined that its accountable body status between the new Hereford University - the New Model in Technology & Engineering (NMiTE), and the Department for Education represents an agency arrangement and has disclosed this in note 23.

- The council accounts include all transactions made by schools, and the assets utilised by these schools unless the school is an academy or a free school, these entities are excluded.

1.48 Assumptions made about the future and major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The estimations and assumptions reflect the uncertainty and volatility impact of the global outbreak of the Covid-19 virus pandemic. There remains a significant risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2021.

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

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

2. Expenditure and Funding Analysis 2020/21

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

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

Comparative EFA 2019/20

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

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

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

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

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

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

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

Material Items of Income and Expense

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

Events after the Balance Sheet Date

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

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

3. Movement in Usable Reserves Analysis

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

Movement in Usable Reserves 2019/20 Comparative Movements

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

4. Movement in Unusable Reserves Analysis

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

Movement in unusable reserves analysis 2019/20 comparative movements

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

5. Transfers (to)/from Earmarked Reserves

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

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

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

6. Nature of Expenses Disclosure

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

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

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

7. Other Operating Expenditure

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

8. Financing and Investment Income and Expenditure

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

9. Taxation and Non Specific Grant Income

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

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

10. Property, Plant and Equipment

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

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

Depreciation

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

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

Analysis of Capital Charges to Directorates

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

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

Capital Commitments

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

Revaluations

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

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

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

Impact of Covid-19 – contained material valuation uncertainty

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

Schools

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

In respect of any Property, Plant and Equipment associated with schools, the council has determined that community schools, voluntary aided and voluntary controlled schools are included in the balance sheet. Voluntary aided schools' long term assets are owned by the school trustees however under these assets have been recognised due to the probability that the future economic benefits associated with the asset will flow to the council and the cost of the asset can be measured reliably in accordance with IAS16.

The fair value of schools is included using a depreciated replacement cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

Investment Properties

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

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

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

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

11. Financial Instruments

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

Categories of Financial Instruments:

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

Financial Assets

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

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

Financial Liabilities

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

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

Income, Expense, Gains and Losses

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

2019/20				2020/21		
Financial Liabilities at amortised cost £m	Financial assets: Loans and receivables £m	Total £m		Financial Liabilities at amortised cost £m	Financial assets: Loans and receivables £m	Total £m
			Interest payable and similar charges			
			Interest expense relating to:			
5.4	-	5.4	Loans	5.2	-	5.2
3.7	-	3.7	PFI liabilities	3.4	-	3.4
9.1	**-**	**9.1**	**Total expense in surplus on the provision of services**	**8.6**	**-**	**8.6**
			Interest receivable:			
-	(3.3)	(3.3)	On loans	-	(2.4)	(2.4)
-	**(3.3)**	**(3.3)**	**Total income in surplus on the provision of services**	**-**	**(2.4)**	**(2.4)**
9.1	**(3.3)**	**5.8**	**Net loss/(gain) for the year**	**8.6**	**(2.4)**	**6.2**

Fair Values of Assets and Liabilities

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

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

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

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

The fair value is higher than the carrying amount because the council's portfolio of longer-term loans are all fixed rate and the interest rates payable on these loans are generally higher than the relatively low rates prevailing at the Balance Sheet date. Therefore the fair value includes a premium that the council would have to pay if the lender agreed to early repayment of the loans. None of the council's investments are for a period exceeding 364 days and so the fair value of investments will not be significantly different to the carrying amount.

The carrying amounts of other long term financial assets and liabilities in the balance sheet include commitments falling due under PFI schemes. The fair value of these commitments exceeds the carrying amount and represents the additional cost that could fall due if we were to terminate the PFI schemes as at the balance sheet date. The total PFI carrying amount is £47.5m and the fair value as at 31 March 2021 totals £64.3m. The statements have not been adjusted for this as the PFI schemes are set to continue until expiry.

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

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

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

Amounts arising from expected credit losses

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

12. Debtors

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

13 Cash and Cash Equivalents

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

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

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

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

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

16. Investing Activities

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

17. Financing Activities

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

Reconciliation of liabilities arising from financing activities

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

18. Creditors

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

19. Capital Grants Receipts in Advance

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

20. Provisions

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

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

The provisions held at 31 March 2021 are:

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

21. Pensions Reserve

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

The LGPS deficit shown below includes a provision for the assessed financial impact of the case law decision in respect of the protections for members nearing retirement being deemed to have given rise to an unlawful age discrimination to younger workers without those protections (what is known as the McCloud case).

2019/20 £m		2020/21 £m
269.1	**Balance at 1 April**	**260.2**
(20.9)	Re-measurement of the net defined benefit liability	13.0
27.5	Reversal of items relating to retirement benefits debited or credited to the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	23.1
(15.5)	Employer's pension contributions and direct payments to pensioners payable in the year	(13.9)
260.2	**Balance at 31 March**	**282.4**
259.5	Local Government pension scheme	281.7
0.7	Teachers	0.7
260.2	**Balance at 31 March**	**282.4**

22. Trading Operations

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

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

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

23. Agency Services

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

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

The council administered a number of support schemes in response to Covid-19 on behalf of Central Government. These transactions have been excluded from the Councils accounts. They are £49.5m small business support grants and £23.6m national lockdown and local restrictions business grants, £0.1m test and trace isolation support payments, £3.7m in infection control grants and £0.5m in rapid testing grants.

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

24. Pooled Budgets

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

Better Care Fund

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

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

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

Minimum Revenue Pool

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

Better Care Fund- Minimum Mandatory Fund (Revenue)

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

Capital Pool

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

Better Care Fund- Minimum Mandatory Fund (Capital)

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

Additional Revenue Pool

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

Better Care Fund- Additional Revenue Fund

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

Improved Better Care Fund

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

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

Better Care Fund- Improved Better Care Fund

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

Better Care Fund - Adult Social Care Winter Pressures Grant

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

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

Better Care Fund- Winter Pressures Grant

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

Children's Services

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

Children's Services

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

Integrated Community Equipment Store

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

Integrated Community Equipment Store

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

Covid-19 Hospital Discharge Scheme

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

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

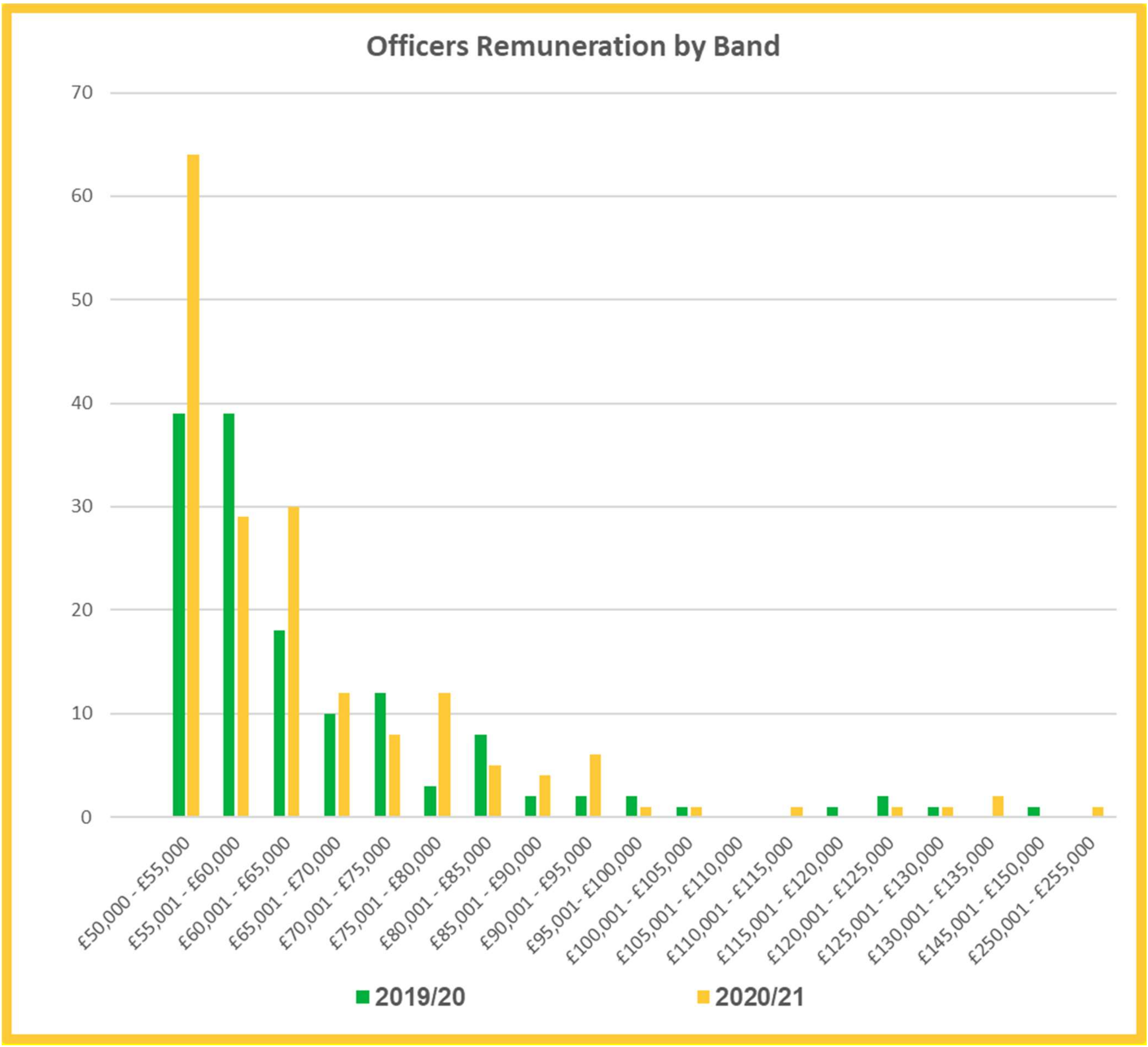
Covid-19 Hospital Discharge Scheme

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

25. Officers' Remuneration

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

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



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

Post		Note	Salary, Fees & Allowances £000s	Compensation for loss of office / Benefits in kind £000s	Pension contributions £000s	Total £000s
Chief Executive - A Neill	2020/21	1	134	120	24	278
	2019/20		153	-	24	177
Director for Economy and Place – R Ball	2020/21		127	-	24	151
	2019/20		124	-	19	143
Director for Children and Families – C Baird	2020/21		128	-	23	151
	2019/20		126	-	20	146
Chief Finance Officer/ Section 151 Officer	2020/21	2	106	-	20	126
	2019/20		101	-	16	117
Director for Adults and Communities – S Vickers	2020/21		127	-	24	151
	2019/20		124	-	19	143
Solicitor for the Council (Monitoring Officer)	2020/21	2	126	-	10	136
	2019/20		77	-	12	89
Director of Public Health	2020/21	3	59	-	13	72
	2019/20		69	-	13	82
Acting Director of Public Health	2020/21	4	12	-	2	14
	2019/20		-	-	-	-

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

26. Termination Benefits

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end. The table does not include actuarial strain paid to the pension fund.

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

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

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

27. External Audit Costs

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

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

28. Dedicated Schools Grant

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a council- wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2020/21 are as follows:

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

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

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

29. Grant Income

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

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

30. Related Parties

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

Central Government

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

Members

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

Officers

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

Other Public Bodies

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

Significant long term contracts

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

FOCSA Services (UK) Limited

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

Other organisations – West Mercia Energy

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

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

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

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

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

Subsidiary group undertaking

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

31. Capital Expenditure and Capital Financing

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

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

32. Leases

<u>Council as Lessee</u>

Finance Leases

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

<u>Council as Lessor</u>

Finance Leases

When a school changes status to become a Foundation School or an Academy the land and buildings are transferred to the school by granting a lease for 125 years at a peppercorn rent. Other than these long leasehold transfers to schools, the council does not have any other finance leases where the council is lessor.

Operating Leases

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

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

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

33. Private Finance Initiatives and Similar Contracts

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

Mercia Waste Management Limited – Waste Management PFI contract

In 1998 Herefordshire Council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative.

Under the contract the authorities are required to ensure that all waste for disposal is delivered to the contractor, who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500m of which approximately 25% relates to Herefordshire Council. The original life of the contract was 25 years with the option to extend this by 5 years.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction was completed in 2017 with a funding requirement of £195m and an uplift to the annual unitary charge for both councils of £2.7m.

Both councils will be providing circa 82% of the project finance requirement from their own planned borrowing from the Public Works Loan Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Limited. The loan is shown under long term debtors on the balance sheet and the effective interest rate is shown under financial investments on the Comprehensive Income and Expenditure Statement.

Stepnell Limited – School PFI Contract

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

Shaw Homes

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare's performance in providing services. The payments in respect of this contract were £4.0m in 2020/21 (£4.0m in 2019/20).

Assets

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

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

Liabilities

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

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

Payments

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

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

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

34. Capitalisation of Borrowing Costs

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

35. Pension Schemes accounted for as Defined Contribution Schemes

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

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

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

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

Local Government Pension Scheme

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme

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

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

The table below shows the movement on the pension liability

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

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

The table below shows the movement on the pension assets

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

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

Local Government Pension Scheme assets (at fair value) comprised

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

Impact of Covid-19 – contained material valuation uncertainty

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

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

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

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

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

Impact on the Councils Cash Flows

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

Scheme History

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

37. Contingent Liabilities

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

38. Nature and Extent of Risks Arising from Financial Instruments

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

a) **Credit risk:** the possibility that other parties may fail to pay amounts owing to the council

b) **Liquidity risk:** the possibility that the council may have insufficient funds available to meet its financial commitments

c) **Market risk**: the possibility that the council may suffer financial loss as a result of economic changes such as interest rate fluctuations.

The council has adopted CIPFA's Treasury Management in the Public Services Code of Practice in setting out a Treasury Management Policy and strategies to control risks to financial instruments. During the year the council's exposure to liquidity risk and market risk was considered to be no greater than previous years, during the year investment maturity limits were reduced reducing the council's exposure to risk.

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents).

During 2020/21 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access Money Market Funds.

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

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

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

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

Liquidity Risk

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

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

Market Risk

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

a) Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services would increase

b) Borrowings at fixed rates – the fair value of borrowings would fall

c) Investments at variable rates - the interest received credited to the Surplus or Deficit on the Provision of Services would rise

d) Investments at fixed rates – the fair value of the assets would fall

Borrowings and investments are not carried at fair value in the Balance Sheet and so nominal gains and losses on fixed rate financial instruments would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact is made by changes in interest payable and receivable.

The council's loans are all fixed rate which means that when the Bank Base Rate is low the interest rate paid on borrowing is relatively high compared to the rate received on investments.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council's treasury advisors. The council sets an annual Treasury Management Strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

39. Trust Funds

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

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

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

Statement of Group Accounts and Explanatory Notes

40. Statement of Group Accounts

Introduction

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

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

Hoople Limited had revenue of £16.8m in 2020/21 (2019/20: £14.3m). This included revenue from services provided to Herefordshire Council of £9.5m in 2020/21 (2019/20: £8.5m). The council provided services to Hoople Limited of £0.8m in 2020/21 (2019/20: £1.0m). These transactions were all made on an arms-length basis.
The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the statement of group accounts is to provide the reader with an overall view of the material economic activities of the Group. The statement of group accounts provides a summary of the group's financial position and details of material items that have impacted on the accounts during the year. The statement of group accounts has been prepared using uniform accounting policies.

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

Basis of Consolidation

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

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

Group Comprehensive Income & Expenditure Statement

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

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

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

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

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

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

Group Movement in Reserves Statement

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

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

Group Movement in Reserves Statement 2019/20 Comparative

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

Group Balance Sheet

Summarised

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

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

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

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

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

Group Balance Sheet Detailed

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

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

Group Cash Flow Statement

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

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

Notes to the statement of group accounts

G1. Group Accounting Policies

General Principles

The council is required to produce an annual statement of group accounts in accordance with the Accounts and Audit Regulations 2015, which requires the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 “The Code”, supported by International Financial Reporting Standards.

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

Consolidation of subsidiaries, associate companies and joint operations

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

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

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

Taxation

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income, profit and loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax for the prior period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

G2. Financial performance of group undertaking

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

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

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

G3. Group Nature of Expenses Disclosure

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

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

G4. Pensions

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

LGPS Pension Scheme

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

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

NHS Pension Scheme

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

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

Hoople Limited Defined Contribution pensions scheme

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

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

G5. Group Cash and Cash Equivalents

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

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

G6. Group Short Term Creditors

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

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

G7. Group Short Term Debtors

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

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

G8. External audit costs

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

Supplementary Accounts- Collection Fund

42. Collection Fund

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

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

Notes to the Collection Fund

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

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

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford & Worcester Fire & Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2020/21 was £1,954.77 including fire, police and parish precepts, with a range of between £1,884.96 and £2,051.05. The council tax base used for setting the council tax in 2020/21 was 69,756.27. The Band D equivalents in each valuation band are shown in the table below:

Band	Valuation Range	Charge Factor	Band D Equivalent
A	Up to £40,000	6/9	5.503.45
B	£40,001 to £52,000	7/9	11,594.73
C	£52,001 to £68,000	8/9	12,249.32
D	£68,001 to £88,000	9/9	11,578.33
E	£88,001 to £120,000	11/9	13,127.19
F	£120,001 to £160,000	13/9	9,490.26
G	£160,001 to £320,000	15/9	5,608.19
H	Over £320,000	18/9	317.90
Crown			286.90
Total			**69,756.27**

Council Tax debit at 1 April	164.2
Banding change	2.1
Less	
Discounts	(13.3)
Exemptions	(3.8)
Council Tax Reduction	(11.8)
Disablement Relief	(0.2)

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

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

43. Definitions

Accounting Policies

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

Accumulated Absences Account

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

Assets

A resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds. This includes finance charges in respect of finance leases.

Capital Adjustment Account

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

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

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

Carrying amount

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

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the council, or

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

a) it is not probable that an outflow of resources embodying economic benefits or

b) services potential will be required to settle the obligation, or

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

Creditors

Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

Collection Fund Adjustment Account

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

Core

The single entity, being Herefordshire Council.

Covid-19

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

Debtors

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

Deferred Capital Receipts Reserve

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

Depreciation

The systematic allocation of the depreciable amount of the asset over its useful life.

Exchange Transactions

Transactions in which one entity receives assets or services, or has liabilities extinguished, and gives approximately equal value (cash, goods, services, or use of assets) to another entity in exchange.

Fair value

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

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) records the timing differences between the rate at which gains and losses are recognised for accounting purposes and the rate at which debits and credits are required to be made against council tax.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Grants and contributions

Transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

Historical cost

The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for any subsequent depreciation or impairment.

IFRIC

International Financial Reporting Interpretations Committee (IFRIC) prescribes accounting treatment within the IFRS standards.

IFRS

International Financial Reporting Standards (IFRS) provide understandable, enforceable and globally accepted accounting standards.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Intangible Asset

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

Inventories

These are assets;

a) In the form of materials or supplies to be consumed in the production process

b) In the form of materials or supplies to be consumed or distributed in the rendering of services

c) Held for sale or distribution in the ordinary course of operations, or

d) In the process of production for sale or distribution

Investment property

Property held solely to earn rentals or for capital appreciation or both.

Liabilities

Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Material

Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.

Minimum Revenue Provision (MRP)

A provision made for the repayment of notional borrowing used to finance capital expenditure.

Non-Exchange Transactions

Transactions in which an entity either receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Operating lease

A lease other than a finance lease

Property, plant and equipment

Tangible assets held for use in the supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year.

Provision

A liability of uncertain timing or amount.

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Revaluation Reserve

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

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

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

Revenue

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

Soft loan

A loan at less than the market interest rate.

44. Annual Governance Statement

1. The Annual Governance Statement 2020/21

The council is required by the Accounts and Audit Regulations 2015 to prepare and publish an annual governance statement. This statement has been informed by an annual review of the effectiveness of the council's governance framework and systems of internal control as set out in the code of corporate governance. This statement demonstrates the degree of compliance and planned improvements in the coming year.

1.1 Review of the year

The impact of Covid 19 has had a major effect globally and locally – with the council having to adjust its services and introduce new functions to meet the requirements of the Herefordshire community. Public Health has been at the forefront, often having to plan, make decisions and deliver simultaneously in a rapidly changing environment responding to evolving understanding of the virus. The pandemic has shone a light of inequalities whether that be in health, well-being, social networks, finance or digital exclusions.

The council instigated a mass redeployment programme to address the immediate needs of people within the community. This was completely needed at the time but had a significant effect on delivery programmes and performance throughout the rest of the year. Staff were required to work from home, for which most people adapted well and the technology was available to support this approach – helped by the fact that the council had already prepared and instigated flexible working. Communication was virtual, including council meetings via conference calls. Employee surveys show some of the benefits including sickness levels reduced and supported savings plans with the council reducing the number of office locations. Social care response teams for adults and children were impacted on missing mutual support / shared advice and were subsequently located in the office.

The final signing off of the 2019/20 AGS was delayed due to the external auditors continued work on their value for money opinion, and who in turn required information and assurance from the council. Their value for money opinion was qualified in relation to the capital programme and children's services.

Mr Justice Keehan, a High Court Judge, outlined his finding from the hearing of a court case that identified significant failings by Herefordshire Council relating to a family with children in the council's care which were published on 16 April 2021 with an extraordinary full council meeting taking place on 27 April 2021 to discuss the findings. The council requested the Department for Education conduct an urgent review of the children's social care services to assess whether children in care are safe finding no immediate actions were required on the cases they reviewed but further external reviews will be required to make sure services are fit for purpose. This will form the basis of significant focus for 2021/22 work programme and to understand failings in the council's assurance processes along with an Improvement Plan including cultural change within the service.

During the year the Chief Executive left the organisation and a new appointment made – starting in May 2021. The Director of Public Health also left the council and promoted an existing consultant to fulfil the role on an interim basis which was so crucial during the pandemic.

The council has also included a major savings programme during the year with the target of achieving £11.5m saving in 2021/22. A capital programme was approved by council in February 2021.

Despite these challenges the council has continued to operate for the benefit of local residents and businesses.

2. Corporate Governance and the Annual Statement

Corporate governance generally refers to the processes by which an organisation is directed, controlled and held to account. Governance will determine who has authority to make the decisions to achieve the intended outcomes whilst acting in the public interest at all times. It is how the council ensures it provides the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.

Effective governance leads to:
- ✓ Making the right decisions for the right reasons through leadership and management.
- ✓ Continuous improvement through understanding and managing risk and performance.
- ✓ Safeguarding public funds, ensuring spend is made in the right time and the right way.
- ✓ Public engagement and the right outcomes for residents and businesses of the county.

This annual statement incorporates:
- **Scope of responsibility and governance framework:** acknowledges responsibility for ensuring that there is a sound system of governance, summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- **The statement:** describes how the council has monitored and evaluated the effectiveness of its governance arrangements in the year, and outlines how the council has responded to any issue(s) identified in last year's governance statement; and
- **Improving governance**: reports on any key governance matters identified from this review and provides a commitment to addressing them.

It should be noted that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk or failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance.

3. Scope of responsibility and governance framework

Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for whilst used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to continually review and improve the way it works. Key is the constitution as a published document that details how the council makes its decisions, who has responsibility and the procedures it follows.

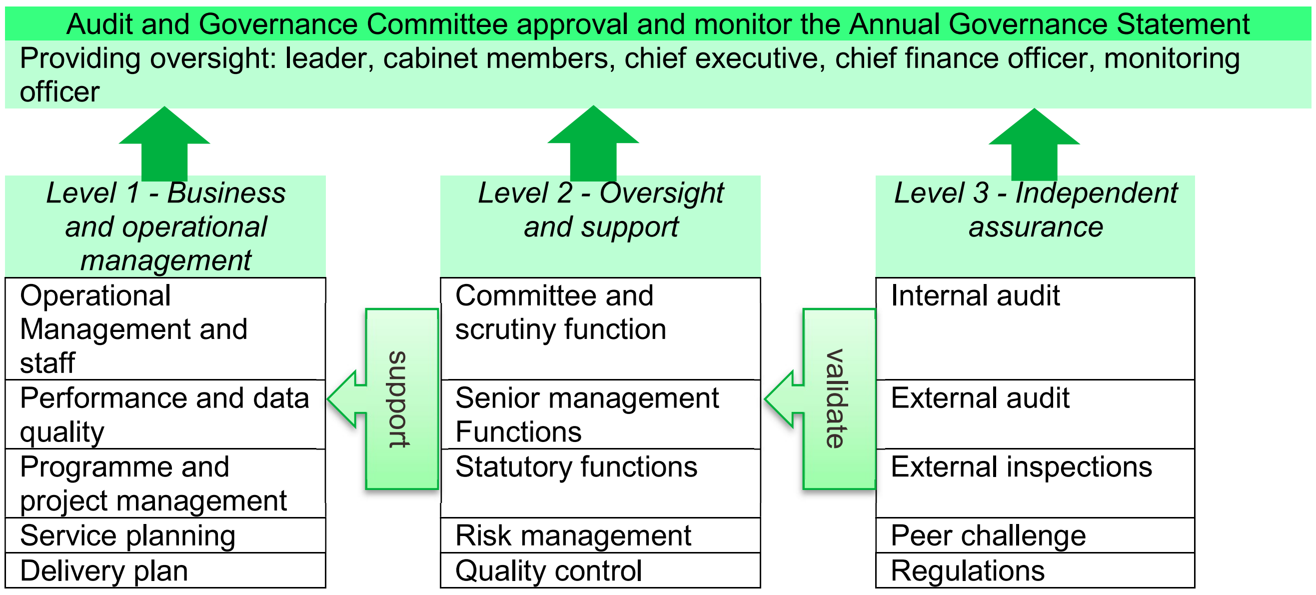
The council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy ("CIPFA")/Society of Local Authority Chief Executives ("SOLACE") framework for delivering good governance in local government (2016).

The governance framework comprises the systems, processes, culture and values by which the council is controlled, and sets out how the council accounts to, engages with and takes a leadership role in community. The framework enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The framework operates at three levels, often referred to as the "three lines of defence" based on three opportunities to address risk and weaknesses in governance:

Level 1 - Business and operational management. Operational management and staff delivering objectives, identifying risks and improvement actions, implementing controls, reporting progress, providing management assurance, and ensuring compliance. This level is supported by:
Level 2 - Oversight and support. Portfolio holders, scrutiny and audit and governance committee, senior managers and statutory officers provide strategic, policy and direction setting, decision-making, and assurance oversight. This level is validated by….
Level 3 - Independent assurance. Internal and external audit, inspection and review agencies, and regulators provide independent challenge and audit, reporting assurance, and audit opinion in relation to assurance levels.

How these levels interact and operate across the organisation is described above but also is illustrated below showing the 3 levels of defence:



4. Preparing the Statement

The AGS is presented jointly by the Chief Finance Officer who is the council's section 151 officer (a statutory role responsible for the proper administration of the council's financial affairs), and the Solicitor to the Council who is the council's monitoring officer (a statutory role responsible for maintaining the constitution, ensuring decision-making is fair and lawful, and for dealing with complaints that councillors have breached the councillor code of conduct).

In preparing the AGS the council has:

a) Reviewed existing governance arrangements against the guidance included in CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework – 2016 and the new governance risk and resilience framework from the centre for governance and scrutiny ("CFGS").
b) Reviewed the code of corporate governance to ensure it reflects this guidance and includes the recommended seven principles of good governance
c) Assessed the effectiveness of our governance arrangements against the code of corporate governance.

The key sources of assurance that inform this review are as below:

- Review compliance with laws and regulations, corporate strategies, policies, plans and arrangements e.g. constitution, financial and performance monitoring and reporting, and risk management
- Statutory officers' declarations
- Significant partnerships' governance risk assessments
- Internal audit reports and opinions
- Findings from Audit & Governance Committee and scrutiny committees
- External bodies and inspectorates reports
- Views of the council's appointed Independent Person(s) on the draft review.

The Statement sets these sources of information against the 7 Principles of Corporate Governance (A to G) as set out in the Herefordshire Council's Code of Corporate Governance.

5. The Statement

The following information is a summary of actions and behaviours taken by the council in relation to each of the core principles (based on "Delivering Good Governance in Local Government' framework – 2016").

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

- Working group of councillors established to consider governance models based on "Rethinking Governance" programme including looking at areas for greater transparency, participation in decision making and involvement. Recommendations from Audit and Governance Committee of 25 September 2020 were agreed by Full Council on 9 October 2020 based on a hybrid cabinet model implemented from May 2021. This has been delayed but is making progress for adoption at full council in October 2021.
- Independent persons were asked to review how standards hearings could be reviewed – this was completed on 8 February 2021 and additional views have been sought from parish councils and HALC. Where improvements could be made with input from independent persons with revised arrangements raised with Audit and Governance Committee in March 2021 along with models of code of conduct. Dealing with code of conduct complaints has had significant delays during the pandemic and has resulted in outsourcing of work. A plan to get complaints back under control and timeliness of decisions is underway.
- An annual report on Anti-Fraud and Corruption was presented to Audit and Governance Committee on 26 January 2021 including consultation on the updated strategy. A new counter fraud specialist recruited for prevention and detection work.
- The council's new Equality Policy 2020-23 was agreed on 13 October 2020 by Cabinet member finance and corporate services in consultation with cabinet and the council also produced the Equality in Employment document profiling the workforce of officer and members including the gender pay gap.
- Between 2018 and 2021 a series of critical external events occurred that raised justifiable questions as to the effectiveness of Herefordshire's Children's Services, culminating in the latest critical judgement in early April 2021 from His Hon Justice Keenan. This has led to the creation of Children's Services Improvement Board, independently chaired by a DfE advisor, who has been appointed by the Minister for Children and Families, in line with a 12- month non-statutory notice to improve
- The constitution is a published document providing a comprehensive account of how the council operates. Elements of the constitution are reviewed through the decision making process including in 2020/21 update of the Financial and Contractual Procedure Rules agreed by audit committee on 26 January 2021. This included changed to the rules to support the council's ambitions on social value to use our purchasing power to aid local economic growth and support the outcome of the delivery plan.
- During the Covid-19 pandemic the council has needed to make rapid decisions to address the emergency (with decisions published on the council website) using the powers outlined in section 3.7.9 of the constitution.
- The Annual Code of Conduct report was presented to audit and governance committee on 25 September 2020, and code of conduct training was made mandatory for all staff during the year.
- The council has processes in place to make a complaint, and to ensure complaints are investigated appropriately. Between April 2020 and March 2021 the council dealt internally with 737 complaints, of which the council upheld or partially upheld 14%. The figures need to be seen in the context of a lower volume of complaints received at the start of the covid-19 pandemic, and some large spikes in volumes for specific campaigns on the same topic were received. In addition, 10 complaints were processed under the children's complaints procedure for children's social care.
- Of the 40 complaints received by the LGSCO from Herefordshire residents 34 were closed at the initial enquiry stage. Of the 6 complaints that qualified for further investigation 3 were upheld; 1 was in Highways and Transportation (required an apology), 1 in Planning (required an apology and training); 1 in Children and Families (requiring financial redress and policy change).
- During the year the council procured a new complaints CRM to be more efficient in processes. A review of both the Complaints Policy and Unreasonable Behaviour Policy started in 2020/21 to be completed during 2021.
- The monitoring officer has led a piece of work with Cabinet and Management Board to consider working with officers on an action plan to be implemented in 2021.
- New guidance has been released by the Centre for Governance and Scrutiny on the Governance Risk and Resilience Framework which builds on the work of CIPFA/SOLACE from 2016 which can guide a refresh of the council's annual governance statement.
- The whistleblowing policy
- A whole website page on policies was developed and available to view

Summary and continuous improvement

- Deliver the objectives and recommendations of the Children's Services Improvement Board; and make significant change to the culture and practice in children's social care supported by the wider organisation
- Implement Rethinking Governance recommended changes to the constitution and oversee operational procedures
- New CRM system for complaints and review the Unreasonable Behaviour and Complaints policies
- Introduce anti-fraud training for all staff
- A revised code of conduct for members and new arrangements for dealing with allegations that members have breached the code
- Review annual governance statement based on new guidelines and lessons learnt
- Run member and officer working together training sessions.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- A great deal of community communication and engagement was needed during the year based on Covid 19. There was deep engagement with areas affected by the outbreak – most notable Rook Farm where workers needed to stay on site to stop the spread of the infection. This also received considerable media interest.
- The council published weekly information regarding Covid-19 to enable a comprehensive and informed view – this information is linked on the Understanding Herefordshire website of published data gathered on the county.
- The council conducted consultation on the 2021/22 budget in autumn 2020 beyond the statement requirement. This involved virtual face to face with 17 stakeholder groups. 265 people responded to the on-line consultation and 33 organisations. Staff were also asked their views on the budget which supported decision making on Council's adoption of the budget on 12 February 2021.
- The council has adopted a partnerships' governance framework which is due to be reviewed by 2022. The process for registering partnerships was refined to be on-line however an internal audit of January 2021 found there needs to be improvements to the system – this includes making it easier for officers to complete the registration form but more accountable including forms presented to Audit and Governance Committee and attendance on request to explain the partnership.
- Hereford Towns Board was established as part of the governments stronger town funding scheme to prepare a bid for funding to improve the City of Hereford. Whilst the council is the accountable body, the requirement of the board where mandated as Government requirement to access the funding.
- The Leader of the Council produces a newsletter for all council members with information provided by cabinet members. From 1 April 2021 it will be shared with parish councils. This supports the wider working with parish councils including quarterly parish summits.
- The appointment and training programme for any co-optees to the council was reviewed during the year. The protocol outlines the expectation that independent or co-opted persons serving on Council Committees are expected to comply with the Councillors' Code of Conduct. The protocol will be applied to the recruitment of co-optees for the new municipal year in-take of co-optees. Following annual Council in May 2021 co-optee appointments will be invited and candidate suitability will be assessed and confirmed against the co-optee protocol criteria.
- The council continues to drive for transparency and openness through the publication on its website of reports, data and information – Understanding Herefordshire

Continuous improvement

- Partnership governance framework to be reviewed
- New Communication and Engagement Strategy
- Deliver on arrangements for co-optee appointments.

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

- Whilst the council had in place the County Plan during 2020/21 the Delivery Plan was produced and agreed.

- The response to Covid-19 was defined as an emergency (including using emergency powers). However during the year activity was embedded in work programmes including outbreak management, test and trace and community welfare, including support for the most vulnerable through the BRAVE programme of work. 2021/22 will see a focus on recovery.
- On 23 July 2020 cabinet agreed a revised BWOW plan (better ways of working). The plans needed to change from the previously agreed approach because of the impacts on Covid and learning the value from working from home because moving forward with a hybrid model mixing home and office working. This has created a budget saving as well as a positive environmental impact with less site energy use, reduction of print and post in favour of digital communication, and less travel. This needs to be considered in the bigger context the different venues and the Estates Strategy is due for renewal.
- Talk community is the brand name for a way of working in the county that focuses on individual and community enablement. The programme provides the support and backing for communities to organise local gateways for people to access information and services. The Talk Community strategic approach and governance was agreed by cabinet on 24 September 2020, though one pillar on Talk Community Hubs was impacted by Covid during the year.
- New requirement for "Writing and Publishing Council Plans, Policies and Procedures" agreed by cabinet member on 21 September 2020, creates a standard and format for documents whilst recognising flexibility for different types of documents. Improvement made to registering policies, but work remaining to create an effective pipeline of documents linked to upgrade of modern.gov or other digital system.
- During the year the council updated its Risk and Opportunity Management Framework agreed on 24 September 2020. This outlines the process for management of performance information which will see its full implementation in 2021/22.

Continuous improvement

- To instigate a pipeline of policies and strategies linked to governance decision making
- Embedded new structure in public health to address the continued responses to Covid 19 whilst addressing other public health priorities
- Produce a Covid Recovery Plan
- Produce the Estates Strategy for the use of council buildings.

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

- The cabinet agreed its Delivery Plan on 26 November 2020 to outline implementation of the County Plan. The delivery plan includes outcome and targets, which will form the basis of the quarterly performance reports presented to cabinet and published as part of decision reports.
- As part of the continuous improvement and focus on outcomes the council has established Member Oversight and Improvement sessions – these include core management board, cabinet members and support members, group leaders and chairpersons of scrutiny committees. The first session was held on 29th January 2021 based on the theme of the economy.
- The council also established a Programme Management Office (PMO) to strengthen management of the capital programme. This service to host project managers to support projects to keep on track and to spend profile. This includes the implementation of a board structure with assurance at its heart.
- Following Storm Dennis there was significant damage to the highway network with a number of governance decision required to identify the programme of works and allocate funding through cabinet and council. The reopening of the Fownhope Road (B4224) in March 2021 took longer than anticipated having significant impact of the local community. On 22 March 2021 General Scrutiny Committee reviewed how Fownhope Flood repair works were delivered and any lessons learnt in the future. The highways services is also undertaken its own lessons learnt as part of continuous improvement and independent review commissioned by legal services.
- Both internal and external audit to review how value for money is ensured in the delivery of the public realm contract had been completed in year. Internal audit assess this on specific audits as necessary and external audit carry out an annual review. An action plan has been developed following the consideration of the BBLP contract with an improvement plan being overseen by an improvement board.
- Children and Young People's Plan 2019-2024 delivery is overseen by Children and Young People (CYP) Partnership Board, reviewing regular updates on delivery of plan. Delivery of Safeguarding and Family Support Improvement Plan overseen via Children and Young People's Scrutiny Committee who received a report on first quarter performance for 2020/21. However, consideration need to be given to the role and relationship with scrutiny committee based on the revelation of the recent court cases. A review of the partnership working is also required.
- At the Children and Young People Scrutiny committee on 2 June 2020 members considered a report on Children and Young People Scrutiny committee further review to the council's spotlight review into peer on peer abuse in schools. This further work was bought back to committee on 15 September 2020. There remains outstanding work in this area.
- A great deal of progress had been made on advancing the council's ambitions on creating social value through its procurement process. The financial and contractual procedure rules were agreed at audit and governance on 26 January 2021 to create reasonable flexibility to support local contracting and easier routes to market. In addition the cabinet member for 15 December 2020 agreed the council's approach to social value, which was developed in consultation with services and external business. The updated rules also included revised process for waiver from the contractual procured rules to have the decision making on the senior responsible owner taking advice from commercial, finance and legal teams.
- The commercial team have also updated on contracts Tool Kit so commissioners are fully aware of the contracting requirements and can use the information provided to guide them through the process. The council has a Procurement and Commissioning Strategy that is due to be refreshed in 2021/22 financial year.

Continuous Improvement

- Update the Procurement and Commissioning Strategy
- Implement improvement plan for value for money on the public realm contract
- Deliver on recommendation of Peer on Peer spotlight review
- Implement programme management board decision and assurance framework.

Principle E: Developing the organisation's capacity including the capability of its leadership and the individuals within it

- Member development strategy was adopted during the year and a training programme is in development with the working group and will also take on board the member development consideration of the Re-thinking Governance Group. Following approval from full council in May 2021 new mandatory training will be introduced in year 3 of the term of office.
- The council has needed to take a significant leadership role in 2020/21 linked to the Covid response. Many responsibilities and tasks were devolved from national to local government as closest to the community being affected. The council was required to deliver local testing, tracing (featured on national TV), emergency food delivery, outbreak management / containment and surge testing. Whilst the health sector leads on vaccine the council was required to provide information on cohorts and support of venue management.
- During the pandemic the council appointed a new acting director of public health and a new Chief Executive. In the interim period statutory roles were covered by existing staff.
- A new Workforce and Organisational Development Strategy was agreed on 12 January 2020 by the cabinet member, again refocused to reflect the change in practice influenced by Covid 19.
- Mandatory training for all officers was introduced this year for code of conduct along with the other areas of required training including information governance, information security and equality. The council achieved over 97%. Though, as mandatory all staff should complete the training.
- The management training programme including our 'future leaders' programme continued in a limited form due to the pandemic with all training moved to online platforms.
- IT training of using conference calling and virtual digital working was introduced in February 2020 with a new system and this will continue with a programme of IT training to address more reliance of on-line working.
- Advice and guidance was given to staff and members of phishing email, and review of SPAM messages presented to the cabinet member.
- A review was undertaken of cabinet portfolio briefings to ensure they are fit for purpose for implementation in 2021/22
- Established for Children and Families service was a quarterly meetings for the director, leader, cabinet member for Children Services and chief executive to provide oversight.

Continuous improvement

- Implement the Member Development training plan
- Additional training and development for Children and Young People Scrutiny
- Promotion of becoming a council member reflective of flexibility with increased virtual meetings
- Revised training and guidance for officers on decision making
- Implement Re-Thinking Governance recommendations
- Wider IT training for staff
- Implement changes to portfolio briefing and review effectiveness
- Revised recruitment policy; publication of the ex-offenders policy; review market forces guidance to ensure fit for purpose.

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

- A new risk requirement was introduced as part of the updated Performance, Risk and Opportunity Management Framework on 24 September 2020. However, work still needs to take place to embed within the culture of the organisation.
- Herefordshire Council has a robust financial management system in place. It is understood where an overspend has occurred and for what reason. Additional controls have been put in place this year on capital management including regular reporting by the project officer / senior responsible officers.
- As outlined previously financial procedure rules were updated in January 2020, this includes the process for grant applications. Each application of over £10k needs agreement by the 151 Officer and if deemed a requirement needs agreement from core management board. Notification given to the Grants and Programme team to retain a register.

- Employees with budget responsibilities needed to complete an on-line awareness module regarding finance and register that it was completed.
- The Contract's Register is published on the council's website to be integrated to the council's internal finance system. The contract tool kit was updated along with a new approach to registering contracts due for renewal through a "pipeline".
- Three reports were made to the Information Commissioners Office due to breach posing a risk to the rights and freedoms of an individual or individuals. This did not result in any penalty for the council. All breaches are investigated and recommendations to mitigate against risks are made by the Information Governance Team. Training is provided to teams or more significant action depending on the incident, along with mandatory training.
- The council has an Information Governance Steering Group which has revised a number of policies this year including Information Security Policy where a number of policies were configured into one document for clarity. IT report figures to this group each year relating to data security and work has taken place to ensure staff and members are aware of phishing emails.
- Local government ombudsman complaints were not progressed during the pandemic but have resumed, a review will be undertaken on the policy and how the decisions are reported to cabinet.

Continuous improvement

- Embed a risk management culture and practice in the organisation
- External funding strategy produced
- Updated continuity planning in light of Covid-19 and lessons learnt from flooding emergencies
- Oversight of external grants and grants register created.

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

- With the adoption of the Delivery Plan there is a sound mechanism to report progress on key outcomes and programmes. This will see a change in look and feel of quarterly reports. The council plans to invest in a programme to improve its reporting tools and will enable greater access at a glance to key performance indicators for members, staff and the general public.
- A new engagement programme with members (cabinet, scrutiny chairs and group leaders) was introduced this year called "Improvement and Development Sessions" – these have a combined role of challenging the directorates on their delivery along with collaborating on solutions.
- Each cabinet member has a portfolio briefing which provides reporting on performance, risk, reports and key schemes based on "no surprises". These work well from feedback but not consistently applied.
- SWAP provide the council with internal audits (their opinion included in this document). Their plan for audits is presented to Audit and Governance committee, however based on lessons learnt from 2020/21 their programme will be more flexible and first agreeing the first quarter programme and adjusting from there.
- The council is committed to transparency with the following items published:
    - Data related to the finances of the council including financial transactions exceeding £500 on our open data pages and the pay of our staff on our senior management team page.
    - The research and statistics available on our Facts and Figures website
    - Meetings and decisions are published on the council's website
    - Details of the strategic partnerships (though not all up-to-date)
    - Plans, policies and procedures published (though search needs improving)

- The council has seen a significant increase in Subject Access Requests which is creating pressure on the team and missing timescale of delivery. The council received 1,146 FOI (Freedom of Information) and EIR (Environment Information Requests) and exceeded the Information Commissioners Office threshold of 90% requests handled within timescale.
- The council is updating its recruitment policy to ensure there is not misinterpretation of the approach to being fair and open; there will also be a review of market forces supplement to ensure remains relevant. In addition measures can also be put in place to address the gender pay gap in both recruitment and retention.

- There was a review of significant partnership assurance during the year which implement some changes in process, the partnership framework will be reviewed this year and that the profiles published on the website are clearer and up to date.
- Modern.gov is the system the council uses to produce and publish governance reports. This was re-commissioned in 2021/22 and the following year will aim to maximise the features available to aid transparency.

Continuous improvement

- Ensure details of significant partnership profiles are up-to-date on the council's website
- Implement improved and ease of access performance information for staff, members and the public
- Make the most of new features on Modern.gov
- Record the number of formal governance meetings where there public were excluded

6. Assurances

Directors Composite Assurance Statement - Economy and Place
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

- Performance and risks are regularly reviewed by service managers, assistant directors and at Directorate Management Team working with the Head of Corporate Performance to feed into regular corporate reporting to management board and cabinet in relation to progress on delivery plan actions. Introduction of Member Oversight and Improvement sessions have provided opportunity to discuss key issues and identify development and improvement opportunities.
- Monthly briefings held with relevant Cabinet Members using corporate format to ensure relevant issues and updates on key projects are covered. Recent introduction of Economy and Place cabinet member group meetings allow for consideration of cross portfolio issues affecting the directorate.
- Comprehensive scheme of delegation in place covering all aspects of the Directorate which is regularly reviewed and updated to take account of changes and new legislation
- Programme and projects board terms of reference developed and reviewed to cover all capital projects in place throughout the year and recent strengthening of governance through the roll out of the corporate model for the management of the capital programme. The delivery model will ensure capacity to deliver and involvement of legal, finance, procurement and other key functions to provide assurance and support.
- The transfer of the lead commissioning role for Hoople services from the Directorate to the corporate centre following the my appointment as a director on the Hoople Board has been a positive move providing clear separation between the provider and commissioner going forward. This has supported the further development of Hoople to offer a wider range of services including the provision of property works and building cleaning from April 2021.
- Over the past year and during the Coronavirus pandemic the directorate rigorously followed the governance processes for emergency decision making. This ensured quick decisions could be taken in consultation with statutory officers providing the necessary assurance whilst responding to the urgent need to take action.

Significant Control and Governance issues identified:

- A best value review, recent internal audits and investigations into the management of the public realm partnership contract, including in relation to the delivery of major projects have identified a number of issue which require improvement.

Planned action(s) to address significant control and governance issues:

- An improvement action plan to address the issues identified in relation to the public realm partnership contract is being developed and external independent expertise is being sourced to lead implementation working with the Chief Executive, s151 Officer and Solicitor to the Council.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Directors Composite Assurance Statement - Children and Families
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

Directors Composite Assurance Statement - Economy and Place

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I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Implementation of Signs of Safety

Significant Control and Governance issues identified:
Between 2018 and 2021 a series of critical external events occurred raising questions as to the effectiveness of Herefordshire's Children's Services, culminating in the latest critical judgement in early April 2021 from His Hon Justice Keenan. Of significance this latest Judgement was not, the first concerns His Hon Justice Keenan raised regarding Herefordshire Children's Services.

Directors Composite Assurance Statement - Economy and Place

As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

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Significant Control and Governance issues identified:

- A best value review, recent internal audits and investigations into the management of the public realm partnership contract, including in relation to the delivery of major projects have identified a number of issue which require improvement.

Planned action(s) to address significant control and governance issues:

- An improvement action plan to address the issues identified in relation to the public realm partnership contract is being developed and external independent expertise is being sourced to lead implementation working with the Chief Executive, s151 Officer and Solicitor to the Council.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Between the 11 June and 22 June 2018 Ofsted inspected Herefordshire Children's Services and undertook two further focus visits in January 2019 and again in December 2019.

Planned action(s) to address significant control and governance issues:
The recent Judgement published on the 16 April 2021, by The Hon Justice Keenan, together with the lack of tangible improvement, has resulted in significant changes within the directorate. Including the establishment of a Children's Services Improvement Board, independently chaired by a DfE advisor,

Directors Composite Assurance Statement - Economy and Place
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

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Significant Control and Governance issues identified:

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Planned action(s) to address significant control and governance issues:

- An improvement action plan to address the issues identified in relation to the public realm partnership contract is being developed and external independent expertise is being sourced to lead implementation working with the Chief Executive, s151 Officer and Solicitor to the Council.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

who has been appointed by the Minister for Children and Families, in line with a 12- month non-statutory notice to improve, which was served on the Council on the 18 May 2021.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Catherine Knowles

Directors Composite Assurance Statement - Economy and Place
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

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Significant Control and Governance issues identified:

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Planned action(s) to address significant control and governance issues:

- An improvement action plan to address the issues identified in relation to the public realm partnership contract is being developed and external independent expertise is being sourced to lead implementation working with the Chief Executive, s151 Officer and Solicitor to the Council.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Title: Interim Director Children and Families
Date:10.6.2021

Directors Composite Assurance Statement - Adults and Communities
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Directors Composite Assurance Statement - Economy and Place
As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

Positive Governance Initiatives:

- Performance and risks are regularly reviewed by service managers, assistant directors and at Directorate Management Team working with the Head of Corporate Performance to feed into regular corporate reporting to management board and cabinet in relation to progress on delivery plan actions. Introduction of Member Oversight and Improvement sessions have provided opportunity to discuss key issues and identify development and improvement opportunities.
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Significant Control and Governance issues identified:

- A best value review, recent internal audits and investigations into the management of the public realm partnership contract, including in relation to the delivery of major projects have identified a number of issue which require improvement.

Planned action(s) to address significant control and governance issues:

- An improvement action plan to address the issues identified in relation to the public realm partnership contract is being developed and external independent expertise is being sourced to lead implementation working with the Chief Executive, s151 Officer and Solicitor to the Council.

I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Positive Governance Initiatives:

- An enhanced core directorate and leadership team programme of work; with standing items of: good news, health and safety, concerns and actions, and financial awareness, followed by a focused meeting on directorate performance, risk and project progress

Directors Composite Assurance Statement - Economy and Place
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I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

- Performance and programme boards across four service areas, which collectively feed into core DLT and then management board, and from management board to Core DLT and then the four service areas
- The performance and audit dashboard utilized within core DLT and Management board
- Regularity of discussion of risk reporting, action planning and monitoring of improvements made

Directors Composite Assurance Statement - Economy and Place
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I have read and reviewed all manager's checklist relevant to my service area: yes
I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

- Budget awareness, and repeat of budget security, monitoring and effective use of resources to maximise staff development and customer service
- Supervision policy and auditing cycle.

Significant Control and Governance issues identified:
None noted

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Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Planned action(s) to address significant control and governance issues:
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Directors Composite Assurance Statement - Economy and Place

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I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Name: Stephen Vickers
Title: Director Adults and Communities
Date:16.06.2021

Directors Composite Assurance Statement - Monitoring Officer

As the monitoring officer I am responsible for reviewing the effectiveness of governance

Directors Composite Assurance Statement - Economy and Place

As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

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I have read and reviewed all significant partnership self assessment relevant to my area: yes

Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

arrangements, risk management processes and the system of internal control operating across the council including review of statutory officer assurance statements.
Name: Claire Ward
Title: Monitoring Officer / Solicitor of the Council
Date: 06.12.2021

Directors Composite Assurance Statement - 151 Officer

Directors Composite Assurance Statement - Economy and Place

As a Director, I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal control operating within my service area(s) which includes review of manager's assurance.

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Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

As the 151 officer I am responsible for reviewing the effectiveness of governance arrangements, risk management processes and the system of internal financial controls operating across the council.
Name: Andrew Lovegrove
Title: Chief Finance Officer
Date:26.11.2021

Directors Composite Assurance Statement - Economy and Place
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Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Internal Audit Annual Opinion

HC Annual Opinion 2020- 2021.docx

Statement and opinion - Leader of Herefordshire Council
Name: Cllr Hitchiner

Directors Composite Assurance Statement - Economy and Place

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Name: Richard Ball
Title: Director Economy and Place
Date: 1.6.21

Title: Leader of Herefordshire Council
Date: 05.12.2021

Statement and opinion – Chief Executive of Herefordshire Council
Name: Paul Walker
Title: Chief Executive
Date:22.11.2021