Herefordshire Council

Herefordshire Council
Statement of Accounts 2021/22

Contents

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 2021/22

Introduction

Welcome to Herefordshire Council's Statement of Accounts for 2021/22. The accounts have again been prepared as the world continues to struggle with the challenges and changes posed by the effects of the global Covid-19 pandemic.

As with the previous year, the Council's finances for 2021/22 have been impacted by the pandemic. The aim of this Narrative Report is to provide an overview of that impact alongside the key issues for the year as contained within the Statement of Accounts.

An Introduction to Herefordshire

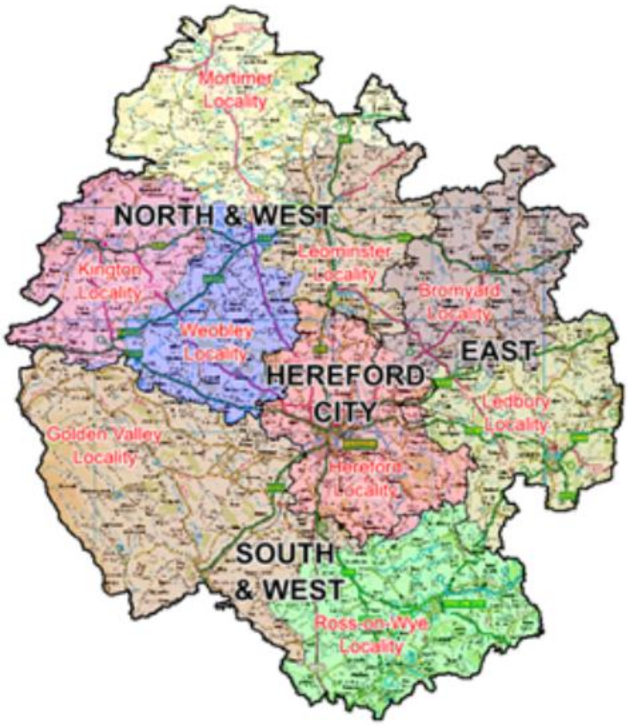
Herefordshire lies in the far south-west corner of the West Midlands Region, sandwiched between Worcestershire and the breath-taking Brecon Beacons of Powys to the west. The county is known for its beautiful, unspoilt countryside its black and white villages, wooded valleys, meandering rivers, its many castles and ancient churches, its rich agricultural traditions and world famous food and drink producers. The county is also home to many high tech, security, engineering, computing and creative industry businesses as well as many artists and craftspeople, musicians and writers. The county's numerous, diverse and distinctive communities each have their own distinct character and special charms which, together make Herefordshire an exemplar of 21st century rural living.

The city of Hereford lies in the middle of the county and is surrounded by a ring of five distinct and very different market towns: Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington. As of mid-2020, Herefordshire's resident population was estimated to be 193,600, with roughly a third of the population living in the city, a third living in the market towns and a third scattered throughout the rural areas.

The county has a good track record of its residents living longer than the national average. It is also attractive to people as a retirement location. Consequently Herefordshire has a large population of older residents with almost a quarter (24%) of the population aged 65 or over. Forecasts indicate that the numbers of older people are set to continue growing at a higher rate than other demographic age groups which has an impact on the capability of our communities and on demand for current and planned future public services.

Despite its deeply rural nature, or perhaps because of it, Herefordshire has a lot of roads. In fact, when considering road length per head of population, the county is the second highest in England and cycling is a popular and growing mode of transport in urban areas and for recreation. However, with only four railway stations serving the whole county, residents are particularly dependent on road transport in their daily lives. In remote rural areas the frequency of bus services can be an issue for those who are reliant upon public transport, and parts of rural Herefordshire are among those at the highest risk nationally of transport poverty.

Herefordshire Council



Herefordshire Council was formed in 1998 as a unitary authority. Meaning that there are only two levels of local government here – the county council and over 160 parish councils serving their distinctive local communities. The county council's responsibilities are wide ranging and include education, adult social care, children's services, road maintenance and waste collection/disposal services.

The council comprises 53 elected members, each being the sole representative of their county ward, although each ward can comprise a number of parishes. The members of the council are each paid an allowance to assist in the performance of their council duties. Councillors were paid the following amounts in allowances during the last year:

Members Allowances	2020/21 £m	2021/22 £m
Basic allowances	0.4	0.4
Special allowances	0.2	0.2
Total	**0.6**	**0.6**

Impact of the pandemic on council finances

During 2021/22, the Covid pandemic continued to impact on the council's finances and this remains a national issue for all local authorities.

The council has been working closely with partner authorities to assess the present and ongoing financial impact and to look for ways to mitigate these effects.

Whilst the focus of the council has been on safeguarding and supporting local residents and the business community through multiple Covid lockdowns, the pandemic continues to affect our financial position primarily in two ways: by creating additional costs and by reducing council income. This compounding squeeze has made it very difficult to confidently forecast in-year income and expenditure and to plan for the longer term.

Like all local authorities, this council has welcomed the range of new and continuing funding packages provided by central government in 2021/22. Together these have sent an important signal that the Government recognises the financial challenges facing the sector, and shows understanding that these pressures will continue for the foreseeable future.

Looking beyond the ongoing impact of the pandemic, the local government sector continues to grapple with a mountain of other unprecedented challenges – increasing economic uncertainty, significant levels of growth in the demand for Adult's and Children's social care, the uncertainty around the implementation and impact of the local government fair funding review and the economic and social impact of UK's departure from the EU, to name but a few.

These challenges follow more than a decade during which local authority funding has reduced whilst demand for the core services councils are legally obliged to provide has risen. These challenges require a whole new way of thinking and since 2019 this Council has moved at pace to ensure that essential services have continued – including throughout the pandemic - and new services have been developed in response to new and emerging needs. All this has been achieved by working in a flexible way and using imaginative and innovative approaches to support our residents, businesses, communities and partners.

We want to continue to be ambitious and creative in our approach, whilst meeting the challenges and embracing the opportunities which the pandemic continues to present us with. We want to build on digital and technological advancements, be more commercial in our approach, empower our workforce to work in more agile and flexible ways, continuing to deliver responsively and to play our part in ensuring the council and the county can enjoy a strong and healthy recovery from the pandemic, or at the very least a managed transition to whatever is to be our 'new normal'.

For example, as was the case last year, the council has passed on grants under the various central government schemes including business rates relief of around £15m in 2021/22 (£30m in 2020/21). In doing so we have also offered some of that grant funding in the form of cash payment cards to all local households to encourage spending with local businesses. This in turn has enabled that money to recycle many times in the local economy benefitting business and households much more than would have been the case if it had been provided in direct grants alone.

Free bus travel at weekends has also been provided to encourage return to public transport post-Covid and free access to leisure facilities and swimming pools has been provided to young people to encourage exercise and improve mental wellbeing. We have been working very hard with our leisure provider, Halo Leisure, and conversations are ongoing around how to work better together.

The Council's financial strategy seeks to ensure that the Council remains financially resilient in the delivery of its own responsibilities and provides active support to develop and maintain a strong and healthy recovery from the pandemic, for our residents, communities, businesses, partnerships and staff.

Organisation and Governance

Our Chief Executive, Paul Walker, was appointed in May 2021 following the retirement of Alistair Neill.

Since his appointment, Paul has brought a new approach to the Council's organisation structure which now consists of six directorates: three delivering services and three providing corporate support. These are set out below, together with a brief overview of their main functions:

- **Corporate Wellbeing** (Social Care Delivery, All ages commissioning, Talk Community, Public Health)
- **Children and Young People** (Education, Skills and Learning, Children and Families)
- **Economy and Environment** (Economic Development and Regulatory Services, Highways, Environment and Waste)
- **Governance and Legal Services** (Legal services, Democratic services, Governance, Monitoring Officer, Elections, Registrars, Coroners service)
- **Resources and Assurance** (Finance, Corporate Services)
- **HR & OD** (Human resources, Organisational development, Recruitment/ retention, Staff engagement, Learning and Development, Payroll, Workforce equality, Health and safety, Hoople delivery)

As this restructure took place in-year, for continuity going forward the 2021/2022 accounts have been compiled, and the previous year's accounts re-stated, based on the new organisational structure.

Since the elections in 2019 the council has been conducting a comprehensive governance review which has included consideration of a move away from a Cabinet-based decision-making model for the council. However, at the full Council meeting on 9th October 2020, they considered the work undertaken by the 'Rethinking Governance' working group and the recommendations of audit and governance committee and took the decision instead to implement a hybrid cabinet model of governance. The hybrid model allows for a greater degree of councillor involvement in policy development, decision-making and oversight without a break from the legal structure of the Cabinet system. This new governance system was implemented with effect from May 2022.

The council's corporate governance arrangements play a key role in achieving its strategic objectives and in securing value for money in service delivery. The Council carries out an annual review of its corporate governance arrangements and the results of the review are set out in the Annual Governance Statement, which accompanies these accounts.

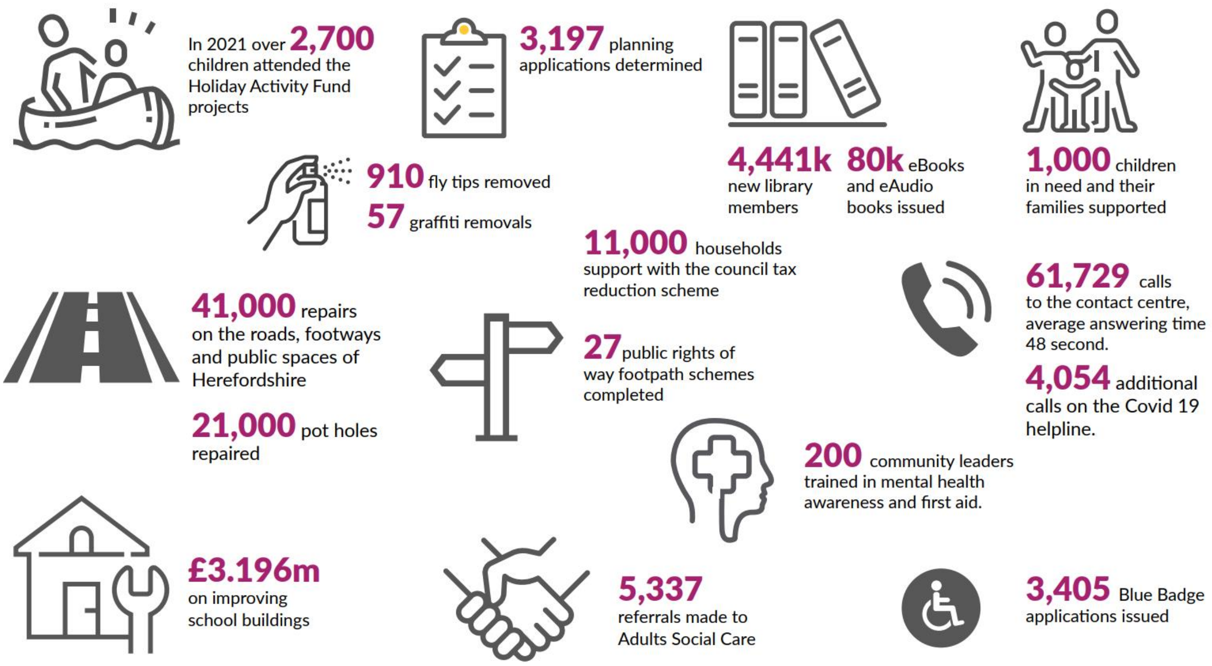
Herefordshire Council owns a controlling share (84% of ordinary share capital) of Hoople Limited, a company that delivers business support services to clients across the public and private sector. Group Accounts are prepared that include Hoople Limited as a subsidiary undertaking. There are no other organisations within the Group boundary that are considered material, and therefore no other organisations are included in the Group Accounts.

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 to deliver incrementally the overarching plan. This plan also sets out how progress will be measured through a number of agreed performance measures. These are selected on the basis that they demonstrate progress towards achievement of the council's stated priorities and also provide assurance of the council's performance for residents.

Performance against this plan is regularly reported to Cabinet and is structured around the three interconnected themes of Economy, Environment and Community. During 2021/22 these updates included the following (more details can be found on the council's website):



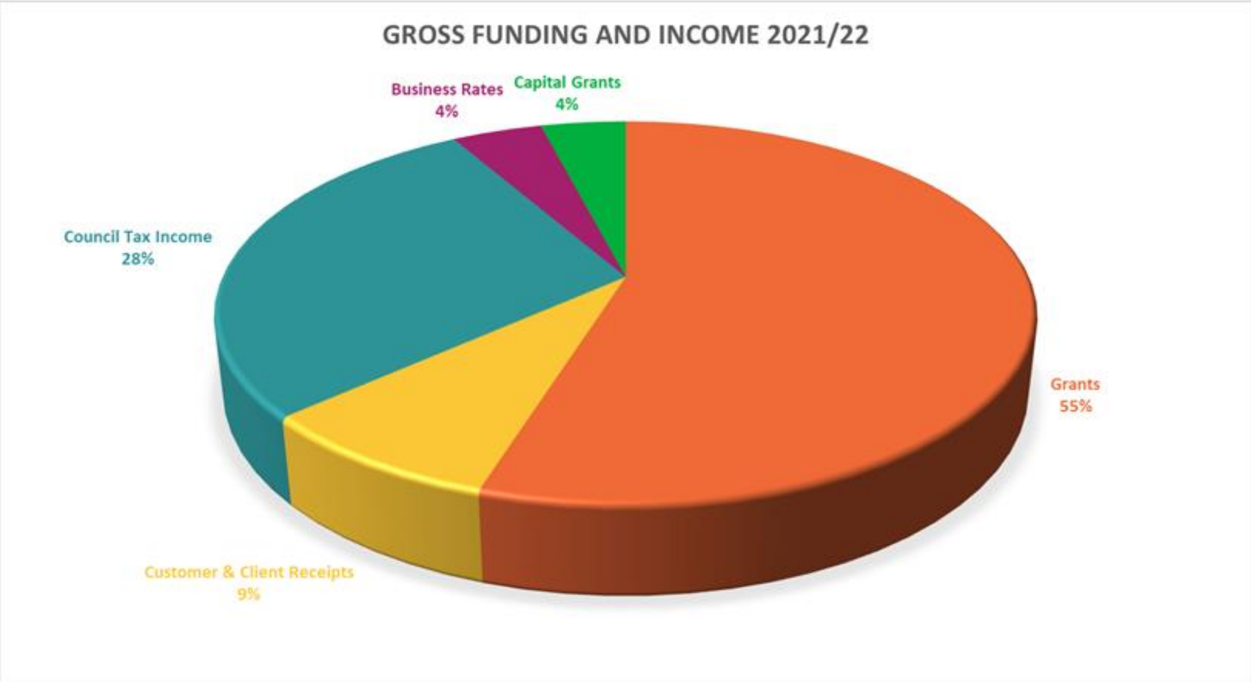
- Approved council investment of a further £11.49 m to support the ongoing delivery of the Children's Services Improvement Plan

- Invested £6m in Covid-19 recovery programmes supporting economic and wellbeing support
- Introduced the Shop Local Card, so far benefitting over 1,500 local businesses
- Progressed the delivery of net carbon zero affordable housing across the county with key partners including Homes England
- Established a countywide climate and nature partnership
- Work continued on phosphate reduction as a result of the introduction of new wetlands
- Engaged local residents in a citizens' climate assembly and allocated £1.33m to the climate reserve to deliver new initiatives
- Commissioned our first TV advert for Herefordshire reaching more than 8.3 million people and promoted over 450 businesses through a new Visit Herefordshire website
- Shell Store opened with 2,000 square metres of space for new and growing businesses
- Approved new Integrated Waste Management Strategy
- Progressed the new Herefordshire Transport Strategy
- Opened the new student accommodation at Station Approach in Hereford with 178 rooms
- Bus-It provided more than 62,000 free journeys at weekends with many new routes
- 46 Talk Community Hubs opened, and Talk Community kitchen providing healthy meals
- Approved investment in and the development of the council's own care facility in Herefordshire to meet future demand

Financial performance

For 2021/22, the council delivered a revenue budget underspend of £541k against a budget set to make in-year savings of £11.2m. This end of year underspend was assisted by £4.8m of direct additional Covid-19 costs being funded by ring-fenced in-year central government service support grants.

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



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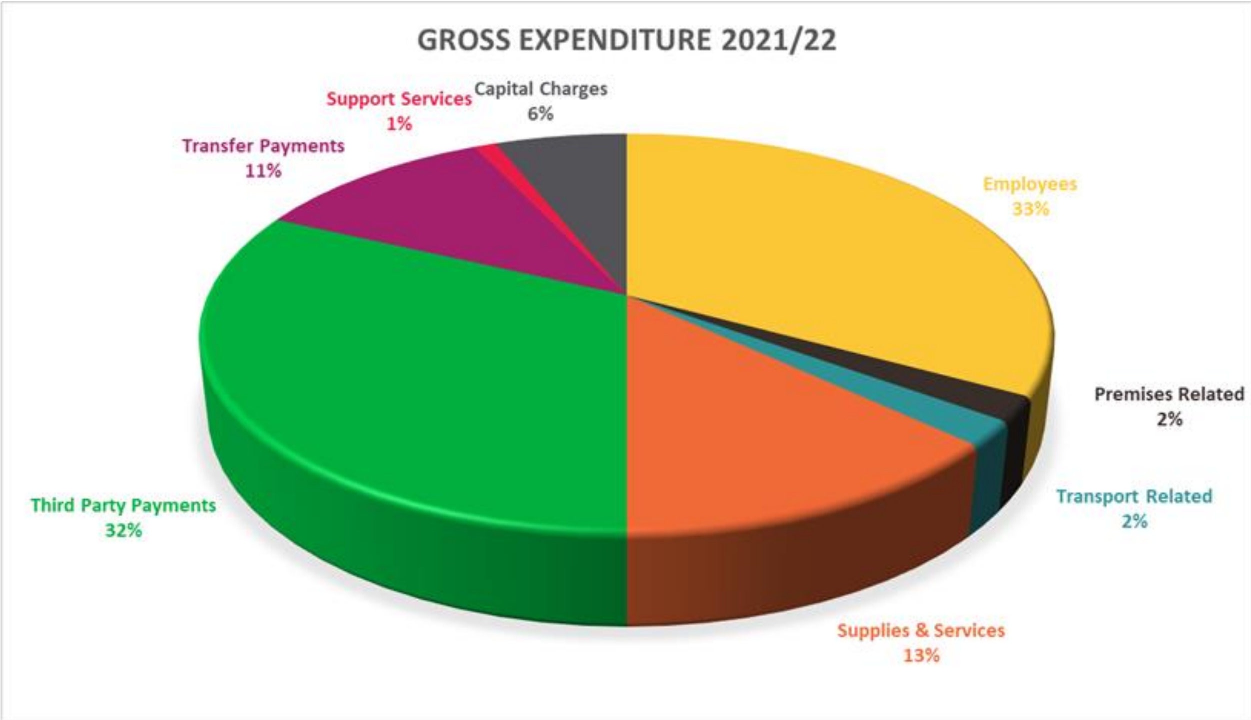
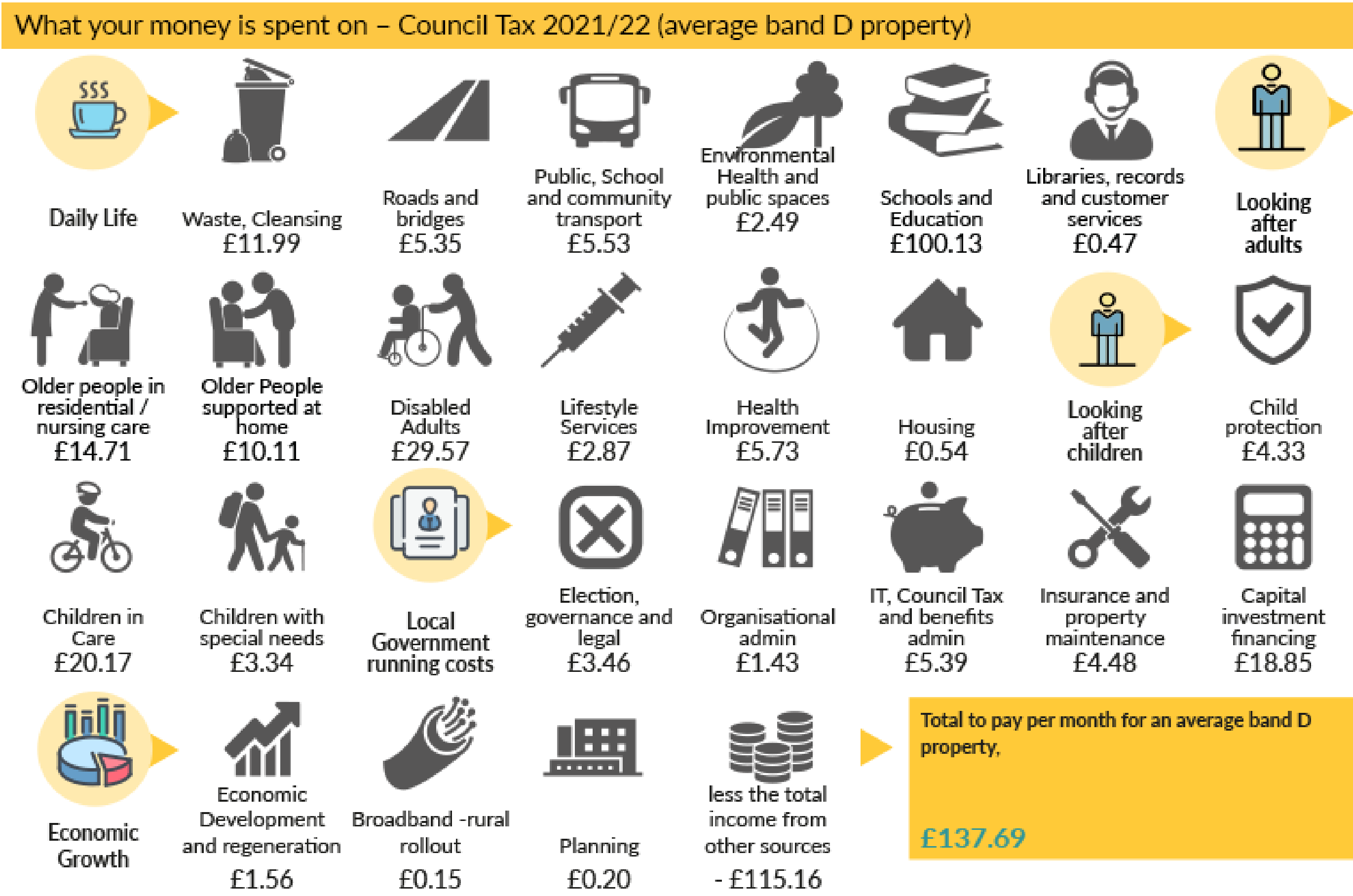


The Herefordshire Council element of the Council Tax Band D equivalent was set at £1,652.30 in 2021/22 and an explanatory breakdown of this charge was provided to residents against their monthly payments to assist with local understanding of the range of council services these charges are needed to support as shown below.

Herefordshire Council



Revenue Outturn 2021/22

The detail of the council's financial performance for the year is summarised in the table below.

The 2021/22 outturn is a £4,248k overspend before the allocation of the ring-fenced Covid service grants, resulting in the reported end-of-year net underspend of £541k.

Service	**Outturn Budget £m**	**Outturn Actual £m**	**Covid-19 related £m**	**Outturn over/(under) £m**
Children and Young People	40.2	44.8	1.0	3.6
Community Wellbeing	63.9	58.1	1.1	(6.9)
Economy and Environment	24.8	27.0	1.8	0.4
Corporate	24.6	28.9	0.9	3.4
Directorate outturn	**153.5**	**158.8**	**4.8**	**0.5**
Central, treasury management, capital financing and reserves	7.4	6.4	-	(1.0)
Total	**160.9**	**165.2**	**4.8**	**(0.5)**

The forecast underspend in Community Wellbeing reflects a combination of savings achieved to date (some of which are non-recurrent) reductions in the number of care packages (mostly within homecare) and also the impact of the 'discharge to assess' process resulting in a proportion of client expenditure being funded via that process. There are also underspends in Commissioning and Operational Service Delivery due to continued vacancies within the Homefirst service and in some of the operational teams.

The overspend in Children and Young people is due to the cost of residential placements for children in council care which are all provided by private sector operations and these continue to cause significant cost pressures for the service.

The overspend in the remaining portfolios reflects pressure on income targets as a direct or indirect result of Covid restrictions (e.g. reduced car parking revenue and less income received as a consequence of receiving fewer than normal planning applications), and savings targets that have not been achievable in year. Some of these costs have been offset by the council not being able to recruit into staff vacancies during Covid.

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 the delivery of the capital investment programme.

The detailed performance outturn for 2021/22 was reported to Cabinet on 26 May 2022 and can be found here: Appendix A - Revenue Outturn.pdf (herefordshire.gov.uk)

Principal risks and uncertainties

Herefordshire Council approved a Medium Term Financial Strategy, Treasury Management Strategy and Capital Strategy in February 2022 for the period ahead. Following the pandemic, significant saving targets were set for 2021/22 at £11.205m. Further consequential savings for 2022/23 are targeted to achieve £2.602m. Historically, Herefordshire Council has risen to the financial and demand challenges it faces by developing strategies and plans to continue to provide valued services to its residents. This successful track record was continued in 2021/22.

As part of managing delivery of its plans, 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 identified improvement are addressed in the accompanying Annual Governance Statement.

As at the Balance Sheet date, the Medium Term Financial Strategy identifies a range of financial risks with the potential to significantly affect the council's financial sustainability over the next few years. The main risks that have been identified are anticipated to arise from:

- Economic instability and in particular significant increases in inflation
- A further significant outbreak of Covid-19, linked to different variants of the disease, with the capacity to significantly affect the national and local economy, increase the demand for local services, and put pressure on the council's income streams
- The impact of major changes in government funding
- The impact of demand pressures in Children's social care
- The delivery of budget savings and efficiencies in a challenging environment
- Managing the Capital Programme to achieve policy objectives
- The economic impact of Brexit

The council has provided significant additional funds to the children and young people directorate to support the necessary improvements to our children's services. Demand management for children's services continues to be key in ensuring future financial resilience.

To mitigate risk across its operation, the council has maintained a General Fund reserve, has increased Earmarked Reserves, has used prudent assumptions in its Medium Term Financial Strategy and has reduced reliance on grant funding in all directorates. At the same time the council is supporting increased investment in local economic and social projects (e.g. the building of council-owned care facilities and a commitment to build additional affordable homes) to reduce future demand and to broaden its core income sources.

Significant provisions, contingencies and write-offs

The council held provisions of £7.3m as at 31 March 2022 (£8.1m at 31 March 2021) and three main provisions within this were as follows:

- The business rates appeal provision of £2.6m, based on an independent assessment of the council's liability in relation to business rate appeals at 31 March 2022. This assessment considers the appeals both lodged with the Valuation Office Agency and those yet to be registered
- A provision of £1.6m for independently assessed outstanding insurance commitments including expected costs relating to insurance cover excess liabilities
- A new Legal Provision of £2.6m relating to legal/counsel's expert estimations of the known obligations in key legal litigation areas.

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 2022 is £272.6m. 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 £0.6m 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 £4.4m (including schools) will be paid in 2022/23.

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.

Capital Expenditure and Capital Investment

The council manages its capital investment plans through its capital programme, the original capital budget for 2021/22 was £97.870m. In quarter 2 a number of capital programme budgets were re-profiled into future years which led a reduction of £69.436m in the 2021/22 programme. However, budgets carried over from 2020/21 were also added to the budget and this led to a revised net capital budget for 2021/22 of £69.067m as shown in the summary table below.

	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total
February 2021 Council Approved Budget	97,870	66,634	21,179	10	185,693
Reprofiled	(69,436)	6,440	41,861	21,135	-
20/21 Carry Forwards	33,296	-	-	-	33,296
Use of Reserves	56	-	-	-	56
Additional Grants	7,311	17,964	18,661	18,661	62,597
Revised Capital Budget	**69,097**	**91,038**	**81,701**	**39,806**	**281,642**

The final capital spend position at 31/3/2022 was £37.607m which is an underspend of £31.490m on the 2021/22 revised budget of £69.097m and the explanation for this underspend is set out in the table and the detail is provided listed against the Delivery Boards who oversee capital expenditure performance and delivery. Full details of all capital schemes were reported to Cabinet on 26 May 2022 in the Quarter 4 Budget & Performance Report, which detailed the final capital budget outturn for the year by scheme in Appendix B.

This underspend consists of £4.793m projects that have delivered below the project budget and projects that may no longer be required such as the car park fire suppression system. The remaining £26.697m are budgets that were not committed in this financial year, but have been rolled forward to 2022/23 as they are funded by grants, or are for land for housing which may not be acquired in this financial year but the budgets need to be retained for those projects to deliver in future years.

2021/22 Capital Budget Outturn Position		2021/22		
	Original Budget £000s	Updated Budget £000s	Actual Spend £000s	Variance £000s
Total Housing Delivery Board	15,813	**7,565**	**2,403**	**(5,162)**
Total Corporate & Digital Delivery Board	8,604	**8,935**	**1,629**	**(7,306)**
Total Schools & Corporate Property Delivery Board	22,814	**13,168**	**5,309**	**(7,859)**
Total Highways Maintenance Delivery Board	16,321	**23,759**	**21,147**	**(2,612)**
Total Environment & Sustainability Delivery Board	2,361	**4,016**	**1,079**	**(2,937)**
Total Economic Development Delivery Board	17,804	**6,822**	**3,257**	**(3,565)**
Total Transport & Place Making Delivery Board	14,153	**4,832**	**2,783**	**(2,049)**
Total	97,870	**69,097**	**37,607**	**(31,490)**

The council delivered significant capital investment projects 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.*

- *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 £7.3m 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 building opened during 21/22 for tenants and continues to have a number of businesses interested in the few remaining units.*

- *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. Due to Covid delays the first tenants are moving in during May 2022 and the centre has been providing online training which will now expand to onsite training in the computer labs and real-time simulation suites.*

- *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 was handed over to Cityheart in September 2021 to enable occupation for the 21/22 academic year.*

- *Basic Needs Grant funded an expansion of a new teaching block at John Kyrle High School of £2.08m in 21/22, the block has completed just after the end of the financial year so that it will be ready to welcome new students for the 22/23 academic year.*

Capital Investment Budget

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

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

Capital investment for 2021/22 totalled £37.60m. This was financed by capital grants £22.31m, prudential borrowing £12.04m and capital receipts £3.25m. The investment included the following corporate priority schemes:

- Hereford City Centre Improvements £1.79m
- Fastershire broadband rollout - £0.7m
- Integrated Wetlands £0.6m
- Hereford Enterprise Zone - £1.79m
- Schools Capital Maintenance Grant - £0.4m
- Basic Needs Grant – John Kyrle High School £2.02m
- Disabled Facilities Grant - £1.2m
- PC Replacement £0.6m
- Highway asset management & major infrastructure investment (including flood works) - £5.3m
- Local transport plan road improvement works - £15.47m

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 2022 is detailed in the table below, including the sources of funding. The 2022/23 budget has increased by the under-spend carried forward from 2021/22 and some further recent grants awarded before the end of April 2022.

Scheme Name	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Hereford City Centre Transport Package	2.7	2.9	-	-	-	5.6
Hereford City Centre Improvements (HCCI)	3.1	1.0	-	-	1.5	2.6
Hereford ATMs and Super Cycle Highway	1.0	-	-	-	-	1.0
Emergency Active travel Fund	0.1	-	-	-	0.1	-
Passenger Transport Fleet (Electric)	7.8	15.6	15.6	-	35.0	4.0
Local Transport Plan (LTP)	15.5	15.5	15.5	-	46.4	-
Priority Flood Repair Works	2.2	-	-	-	-	2.2
E & P's S106	0.4	-	-	-	0.4	-

Scheme Name	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	2.3	-	-	-	-	2.3
Public Realm Maintenance - Mitigating Risk on the Network	3.7	1.3	-	-	-	5.0
Winter Resilience	0.5	0.1	0.7	-	-	1.4
Highways Equipment	0.5	-	-	-	-	0.5
Investment in Infrastructure Assets	0.1	-	-	-	-	0.1
Integrated Wetlands	1.3	-	-	-	1.3	-
Solar Photovoltaic Panels	1.4	-	-	-	-	1.4
SEPUBU Grant	0.4	-	-	-	0.4	-
Warm Homes Fund	0.4	-	-	-	0.4	-
Air Quality Monitoring Station Resource Improvements	0.2	-	-	-	-	0.2
Green Homes Grant - Local Authority Delivery	1.8	-	-	-	1.8	-
Home Upgrade Grant	1.7	-	-	-	1.7	-
Hereford Enterprise Zone	1.9	-	-	1.9	-	-
Marches Business Investment Programme	1.3	0.2	-	-	1.5	-
Employment Land & Incubation Space in Market Towns	9.3	10.4	0.7	7.2	2.1	11.1
Leominster Heritage Action Zone	3.1	0.4	-	1.8	1.7	-
Safer Streets / CCTV	0.2	-	-	-	0.2	-
Herefordshire Hoard	1.5	-	-	1.5	-	-
Development Partnership activities	4.8	5.4	-	0.1	-	10.0
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	1.0	6.7	7.3	-	10.0	5.0
Stronger Towns Fund - Greening the City	0.2	0.2	-	-	0.4	-
Stronger Towns Fund - Maylord Orchard Redevelopment and Learning Resource Centre	0.8	2.2	-	-	3.0	-
Fastershire Broadband	13.6	-	-	-	4.5	9.0
PC Replacement	0.1	-	-	-	-	0.1
Electronic Document Management Storage	0.2	-	-	-	-	0.2
Capital Development Fund	1.0	-	-	-	1.0	-
Technology Enabled Communities	1.5	-	-	-	1.5	-
Key Network Infrastructure (Core Data Centre Switches & Corporate Wi-Fi)	0.5	-	-	-	-	0.5
Primary Data Storage Area Network (Plough Lane)	0.3	-	-	-	-	0.3
Flexible Futures	0.7	-	-	-	-	0.7
My Account	0.3	0.1	-	-	-	0.4
Schools Capital Maintenance Grant	3.3	1.2	1.2	-	5.7	-
Peterchurch Area School Investment	3.3	7.4	-	5.4	-	5.2
Brookfield School Improvements	3.7	-	-	1.2	0.6	1.9
High Needs Grant	2.2	1.9	-	-	4.1	-
C & F's S106	0.1	-	-	-	0.1	-

Scheme Name	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Basic Needs Funding	3.5	11.5	1.4	-	16.1	0.3
Preliminary works to inform key investment need throughout the county	0.3	-	-	-	-	0.3
School Accessibility Works	0.1	-	-	-	-	0.1
Estates Capital Programme 2019/22	3.3	-	-	-	-	3.3
Residual property works identified in the 2019 condition reports	1.3	0.1	-	-	-	1.4
Estates Building Improvement Programme 22-25	1.5	1.3	0.3	-	-	3.0
Upgrade of Hereford West Side CCTV Cameras	-	-	-	-	0.0	-
Hereford Library	0.2	-	-	-	-	0.2
Disabled facilities grant	3.3	2.0	2.0	-	7.3	-
Hillside	0.4	-	-	0.4	-	-
Carehome & Extra Care Development	1.1	8.2	4.8	6.1	0.5	7.5
Super Hubs	2.0	-	-	2.0	-	-
Empty Property Investment & Development	1.3	-	-	-	-	1.3
Unified Tech Fund – Digitising Social Care Prog	0.1	-	-	-	0.1	-
Rough Sleepers Accommodation Programme	0.1	-	-	-	0.1	-
Gypsy & Traveller Pitch development	1.1	-	-	-	-	1.1
Strategic Housing Development	11.5	8.3	-	-	-	19.9
Private sector housing improvements	0.2	-	-	0.2	-	-
Total	**133.2**	**103.7**	**49.50**	**27.8**	**149.4**	**109.2**

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 2021/22 the council utilised £12.04m of prudential borrowing to fund the capital investment budget, including:

- Hereford City Centre Transport Package £1.0m
- Priority Flood Works £0.3m
- Marlbrook Primary School Extension £0.2m
- PC Replacement £0.6m
- Electronic Document Management System £0.2m
- Better Ways of Working £0.1m
- Gypsy and Traveller Pitch Development £0.1m
- Empty Property Investment and Development £0.6m
- Property Estate Works - £1.3m
- Highways Asset Management £1.8m

Council borrowing

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

In 2021/22 the council secured £5.0m of new long-term borrowing. Principal debt repayments of £2.4m were paid to the Public Works Loan Board under existing maturity, annuity and EIP (equal instalments of principal) agreements. Total interest of £5.4m was paid on all council borrowing during the year.

Total borrowing at year-end, including short term loans, was £129.4m (compared to £126.8m as at 31 March 2021).

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 2022.

Net borrowing (after offsetting investments) was £49.7m as at 31 March 2022, compared with £65.4m as at 31 March 2021.

Council reserves

2021/22 saw the councils general reserve balance increase to £9.6m. 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 £96.5m (this includes £9.3m school balances.

Counter fraud

Throughout 2021/22 the Council's Counter Fraud Department has continued to improve corporate fraud maturity across the organisation, which has increased the authority's ability to effectively manage the risk of fraud. It is not always possible to accurately measure the consequential effects and indirect savings that occur due to counter fraud prevention work, however it is important to celebrate the Council's advancements in this area. This has included the creation and implementation of a new fraud awareness intranet page, fraud referral form and mandatory fraud awareness training. The department has already seen a notable rise in referrals as a direct result of these developments.

The Department undertook a considerable amount of assurance and verification work on the Covid-19 Grant Support Schemes, having investigated a total of 341 cases during the pandemic. A total value of £1,199,046 was raised in clawbacks, a further £522,000 was prevented before payment, and £699,722 was recovered. To ensure the Local Authority passed central government audits and assurance requests, the Counter Fraud Department successfully supported the administration and ongoing recovery work associated with covid support funding. As a direct result of collaborative investigations, £185,000 of fraud was detected, £20,000 prevented, £13,000 recovered, with a further £78,000 pending recovery.

Collaboration both internally and externally has been the focal point leading to success and ongoing investigations with other law enforcement agencies continue to reinforce our culture of zero-tolerance to fraud. Working alongside our Revenues and Benefits department 16 instances were identified of businesses falsely claiming rates relief across multiple Local Authorities totalling to £180,624 in potentially recoverable savings. Further joint working with the parking enforcement team resulted in 40 Blue Badges being recovered. Externally, the department worked with the Insolvency service to wind up two fraudulent companies for grant fraud which achieved coverage in over 10 national news articles. Another successful outcome was reached in 2021 with West Mercia Police, following the prosecution of a former council carer, who admitted to three accounts of fraud by abuse of position, and one of theft.

In addition, the Counter Fraud Manager was a finalist within the National TECA awards for recognisable contributions to 'Tackling Economic Crime' within the sector. This has helped to nationally raise the profile of successful counter fraud work being undertaken across Herefordshire Council.

Herefordshire Council

An explanation of the financial statements

The 2021/22 statement of accounts which follow set out the council's income and expenditure for the year and its financial position as at 31 March 2022. The format and content of the statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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.
Group Accounts	Group accounts are presented, in addition to the Council's single entity statements, to provide a full picture of the council's economic activities. The Group Accounts comprise: • Group Comprehensive Income and Expenditure Statement • Group Movement in Reserves Statement • Group Balance Sheet • Group Cash Flow Statement and • Notes to the Group Accounts.
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.

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)

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015, I certify that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

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

3 February 2023

Audit & Governance Committee Approval

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I certify that Audit & Governance Committee approved the Statement of Accounts for 2021/22.

Nigel Shaw, Chair of the Audit & Governance Committee

3 February 2023

Independent Auditors Report

Independent auditor's report to the members of Herefordshire Council

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 2022, 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, 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 2021/22.

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 2022 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 2021/22; 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 2021/22 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.

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 2021/22, 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).

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 2021/22, 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 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

- 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 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.
- Our 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 and component auditor'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.

- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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 2022.

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 2022.

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 December 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 2022 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 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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.

Peter Barber

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

8 February 2023

Core Financial Statements and Explanatory Notes

Movement in Reserves Statement

2021/22	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)**	**(105.6)**	**(114.7)**	**(44.6)**	**(14.3)**	**(173.6)**	**(122.4)**	**(296.0)**
(Surplus) / deficit on the provision of services		(7.8)	-	(7.8)	-	-	(7.8)	-	(7.8)
Other comprehensive income and expenditure		-	-	-	-	-	-	(38.9)	(38.9)
Total comprehensive income and expenditure		**(7.8)**	**-**	**(7.8)**	**-**	**-**	**(7.8)**	**(38.9)**	**(46.7)**
Adjustments between accounting basis and funding basis under regulations		16.4	-	16.4	1.4	(1.5)	16.3	(16.3)	-
Net (increase)/decrease before transfers to earmarked reserves		**8.6**	**-**	**8.6**	**1.4**	**(1.5)**	**8.5**	**(55.2)**	**(46.7)**
Transfers (to) or from earmarked reserves	5	(9.1)	9.1	-	-	-	-	-	-
(Increase) / decrease for the Year		**(0.5)**	**9.1**	**8.6**	**1.4**	**(1.5)**	**8.5**	**(55.2)**	**(46.7)**
Balance carried forward	**3 & 4**	**(9.6)**	**(96.5)**	**(106.1)**	**(43.3)***	**(15.8)**	**(165.1)**	**(177.6)**	**(342.7)**

*rounding

Movement in Reserves Statement 2020/21 comparative

2020/21 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		**(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)**

Comprehensive Income and Expenditure Statement

	2020/21 (Restated)				2021/22		
Expenditure £m	**Income £m**	**Net £m**		**Notes**	**Expenditure £m**	**Income £m**	**Net £m**
138.9	(103.0)	35.9	Children and Young People		158.4	(113.7)	44.7
106.0	(55.6)	50.4	Community Wellbeing		113.5	(56.0)	57.5
80.9	(22.5)	58.4	Economy and Environment		59.7	(28.1)	31.6
75.7	(45.4)	30.3	Corporate Services		82.6	(39.1)	43.5
401.5	**(226.5)**	**175.0**	**Net Cost of Services**	**2**	**414.2**	**(236.9)**	**177.3**
6.3	-	6.3	Other Operating Expenditure	7	5.1	(0.5)	4.6
22.9	(6.4)	16.5	Financing, Investment Income and Expenditure	8	17.1	(6.6)	10.5
-	(215.3)	(215.3)	Taxation and Non-Specific Grant Income	9	-	(200.2)	(200.2)
430.7	**(448.2)**	**(17.5)**	**(Surplus) / deficit on the provision of services**		**436.4**	**(444.2)**	**(7.8)**
		(15.7)	(Surplus) / deficit in revaluation of non-current assets	4			(15.7)
		13.0	Re-measurement of net defined Benefit Liability				(23.2)
		(2.7)	**Other comprehensive (income) / expenditure**				**(38.9)**
		(20.2)	**Total comprehensive (income) / expenditure**				**(46.7)**

Note 40 prior period adjustment of net cost of services provides a reconciliation of the 2020/21 restated comprehensive income and expenditure statement following a directorate restructure in 2021/22.

Balance Sheet

31 March 2021 £m		Notes	31 March 2022 £m
648.6	Property, Plant and Equipment	10	681.8
38.7	Investment Property	10	40.1
0.1	Intangible Assets	10	0.3
3.2	Heritage Assets	10	3.2
40.2	Long Term Debtors	11	38.9
730.8	**Long Term Assets**		**764.3**
44.0	Short Term Investments	11	43.0
0.2	Inventories		0.1
52.2	Short Term Debtors	12	36.0
22.9	Cash & Cash equivalents	13	42.5
-	Assets held for Sale	10	-
119.3	**Current Assets**		**121.6**
(3.3)	Short Term Borrowing	11	(7.8)
(76.6)	Short Term Creditors	18	(73.4)
(3.7)	Short Term Provisions	20	(3.8)
(1.7)	Cash & Cash equivalents	13	(2.3)
(85.3)	**Current Liabilities**		**(87.3)**
(4.4)	Long Term provisions	20	(3.5)
(124.9)	Long Term borrowing	11	(123.0)
(9.6)	Capital Grants Receipts in Advance	19	(11.7)
(329.8)	Other Long Term Liabilities	11	(317.7)
(468.7)	**Total Long Term Liabilities**		**(455.9)**
296.1	**Net Assets**		**342.7**
(173.7)	Usable Reserves	3	(165.1)
(122.4)	Unusable Reserves	4	(177.6)
(296.1)	**Total Reserves**		**(342.7)**

The unaudited accounts, notes and accounting policies were authorised for issue by the Chief Finance Officer on 29 July 2022.

Cash Flow Statement

2020/21 £m		Notes	2021/22 £m
(17.5)	Net (surplus) or deficit on the provision of services		(7.8)
(66.6)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	14	(39.0)
1.1	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	15	1.9
(83.0)	**Net cash flows from operating activities**		**(44.9)**
69.5	Net cash flows from investing activities	16	25.5
6.8	Net cash flows from financing activities	17	0.4
(6.7)	**Net (increase) or decrease in cash and cash equivalents**		**(19.0)**
(14.5)	Cash and cash equivalents at the beginning of the reporting period		(21.2)
(21.2)	Cash and cash equivalents at the end of the reporting period		(40.2)
(6.7)	**Net decrease or (increase) in cash and cash equivalents**		**(19.0)**

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 2021/22 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-minimis 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 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.

1.11 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.

1.12 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.

1.13 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 or 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.

1.14 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.

1.15 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.

1.16 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

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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)

d) Infrastructure assets are measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England], which was deemed at that time to be historical cost.

1.27 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.

1.28 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.

1.29 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.

1.30 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.

1.31 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.

1.32 Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Derecognition on Replacement - When an Asset is replaced, replacement expenditure is capitalised and no disposal is made, because it is assumed that assets have been fully depreciated in the ledger.

Useful lives of the various parts of the highways network are assessed as follows:

Element of Infrastructure Asset	Useful Life
Capitalised post 2015/16 as an annual single Network Asset	50 years
Capitalised pre 2015/16 – Carriageways	20 - 52 years
Capitalised pre 2015/16 – Footways and Cycleways	20 - 60 years
Capitalised pre 2015/16 - Land	20 -105 years
Capitalised pre 2015/16 – Street Furniture	12 - 50 years
Capitalised pre 2015/16 – Street Lighting	46 years
Capitalised pre 2015/16 - Structures	25 – 47 years
Capitalised pre 2015/16 – Traffic Management	10 – 53 years

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.

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 2021/22 Herefordshire Council paid SWAP £0.3m for their internal audit services (2020/21 £0.3m).

Cyber Quarter Limited

Cyber Quarter Limited is the company that owns and operates the Midlands Cyber Centre. On 29 March 2019 the council became a shareholder in Cyber Quarter Limited, taking a 19% shareholding, at a cost of £1 per share, the remaining shares are held by the University of Wolverhampton.

A Joint Venture with the University of Wolverhampton, 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 Centre will create a range of opportunities in the growing cyber security sector in Herefordshire.

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. Following the outcome of the FRAB review, CIPFA LASAAC formally announced the decision to refer the implementation of IFRS 16 for local authorities until 1 April 2024. 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 continue to reflect the uncertainty 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 2022.

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 ongoing pandemic will have on future life expectancy. The vaccination programme and social distancing measures taken so far 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 £12.8m. An increase of 0.1% in the inflation rate used would increase the stated liability by £13.0m. 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 £23.0m. However, the assumptions interact in complex ways, the re-measurement of the net liability in 2021/22 resulted in a decrease of £23.2m.
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 or reducing balance 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.

Item	Uncertainties	Effect if actual results differ from assumptions
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 business rate appeals, potential legal litigation cases and potential insurance claims.	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 ongoing impact of Covid-19 on the economy. As at 31 March 2022 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 relevant/sufficient market evidence on which to base critical judgements.	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.
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 ongoing impact of Covid-19 on the economy.	A 1% movement in Investment Property valuations would result in a £0.6m 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 2020/21 or 2021/22 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 2021/22

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				
2021/22	**Net expenditure chargeable to the General Fund £m**	**Adjustments for capital purposes (1) £m**	**Net change for pension adjustments £m**	**Other adjustments (2) £m**	**Total £m**	**Net Expenditure in CIES £m**
Children and Young People	**45.0**	(1.0)	0.8	(0.1)	**(0.3)**	**44.7**
Community Wellbeing	**58.1**	0.1	0.7	(1.4)	**(0.6)**	**57.5**
Economy and Environment	**27.1**	8.0	0.5	(4.0)	**4.5**	**31.6**
Corporate Services	**35.0**	(5.5)	6.1	7.9	**8.5**	**43.5**
Net cost of services	**165.2**	**1.6**	**8.1**	**2.4**	**12.1**	**177.3**
Other income and expenditure	**(156.6)**	(17.7)	5.9	(16.7)	**(28.5)**	**(185.1)**
Total (surplus) / deficit	**8.6**	**(16.1)**	**14.0**	**(14.3)**	**(16.4)**	**(7.8)**
Opening general fund balance as at 1 April 2021	**(114.7)**					
(Surplus) / deficit on general fund	8.6					
Closing general fund balance as at 31 March 2022	**(106.1)**					

Comparative EFA 2020/21

2020/21	Net expenditure chargeable to the General Fund (Restated)	Adjustments between the funding and accounting basis: Adjustments for capital purposes (1) (Restated)	Net change for pension adjustments (Restated)	Other adjustments (2) (Restated)	Total	Net Expenditure in CIES (Restated)
	£m	£m	£m	£m	£m	£m
Children and Young People	**36.8**	1.3	1.0	(3.2)	**(0.9)**	**35.9**
Community Wellbeing	**50.1**	0.8	0.8	(1.2)	**0.4**	**50.5**
Economy and Environment	**33.1**	25.8	0.7	(1.4)	**25.1**	**58.3**
Corporate Services	**47.1**	(7.6)	0.6	(9.7)	**(16.7)**	**30.4**
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) or 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)**					

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

2021/22	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
Children and Young People	-	3.6	-	-	-	-	(4.6)	-	-	**(1.0)**
Community Wellbeing	-	0.4	0.2	-	-	-	(0.5)	-	-	**0.1**
Economy and Environment	-	10.5	-	-	-	-	(2.4)	-	-	**8.0**
Corporate Services	-	2.3	0.1	(7.9)	-	-	-	-	-	**(5.5)**
Net cost of services	**-**	**16.8**	**0.3**	**(7.9)**	**-**	**-**	**(7.5)**	**-**	**-**	**1.6**
Other operating expenditure	-	-	-	-	0.3	(0.5)	0.6	-	(18.2)	**(17.7)**
Total	**-**	**16.8**	**0.3**	**(7.9)**	**0.3**	**(0.5)**	**(6.9)**	**-**	**(18.2)**	**(16.1)**

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

2020/21	De-capitalisation £m	Depreciation £m	REFCUS £m	MRP £m	RCCO £m	Loss on disposals £m	Revaluations £m	Finance lease £m	Capital grants £m	Total £m
Children and Young People	-	3.3	-	-	-	-	(2.0)	-	-	**1.3**
Community Wellbeing	-	0.3	0.2	-	-	-	0.3	-	-	**0.8**
Economy and Environment	-	10.2	-	-	-	-	15.6	-	-	**25.8**
Corporate Services	-	1.9	0.2	(9.7)	-	-	-	-	-	**(7.6)**
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)**	**(42.5)**	**(18.2)**

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

2020/21 (Restated)					2021/22			
Total £m	PFI £m	Collection fund £m	Recharges & movements £m		Recharges & movements £m	Collection Fund £m	PFI £m	Total £m
(3.1)	(1.8)	-	(1.3)	Children and Young People	1.7	-	(1.8)	**(0.1)**
(1.2)	(1.0)	-	(0.2)	Community Wellbeing	(0.4)	-	(1.0)	**(1.4)**
(1.4)	(3.8)	-	2.4	Economy and Environment	(0.6)	-	(3.5)	**(4.0)**
(9.8)	-	-	(9.8)	Corporate Services	7.9	-	-	**7.9**
(15.5)	**(6.6)**	**-**	**(8.9)**	**Net cost of services**	**8.6**	**-**	**(6.3)**	**2.4**
33.0	6.6	17.0	9.4	**Other operating expenditure**	(11.2)	(11.7)	6.3	**(16.7)**
17.5	**-**	**17.0**	**0.5**	**Total**	**(2.6)**	**(11.7)**	**-**	**(14.3)**

Material Items of Income and Expense

There were no material items of income and expense included the Comprehensive Income and Expenditure Account for 2021/22.

Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue on 3 February 2023 by the Section 151 Officer. Events taking place after this date are not reflected in the financial statements or notes.

3. Movement in Usable Reserves Analysis

2021/22 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)**	**(105.6)**	**(114.7)**	**(44.6)**	**(14.3)**	**(173.6)**
(Surplus)/deficit on provision of services	(7.8)	-	**(7.8)**	-	-	**(7.8)**
Depreciation	(16.8)	-	**(16.8)**	-	-	**(16.8)**
Decapitalisation of assets	-	-	**-**	-	-	**-**
Impairment / downwards revaluation	6.9	-	**6.9**	-	-	**6.9**
Net revenue expenditure funded by capital under statute	(0.3)	-	**(0.3)**	-	-	**(0.3)**
Net book value of assets sold	(1.4)	-	**(1.4)**	-	-	**(1.4)**
Capital receipts from assets sold	1.8	-	**1.8**	(1.8)	-	**-**
Adjustments for Council Tax and NDR Receivable	11.7	-	**11.7**	-	-	**11.7**
Capital Financed by Receipts	-	-	**-**	4.8	-	**4.8**
Application of Long-Term Debtor capital related receipts	-	-	**-**	(1.6)	-	**(1.6)**
Revenue Contribution to Capital Outlay	0.3	-	**0.3**	-	-	**0.3**
Minimum Revenue Provision (MRP)	10.7	-	**10.7**	-	-	**10.7**
Short term leave adjustment	0.5	-	**0.5**	-	-	**0.5**
Reversal of IAS19 Pension Charges	(14.1)	-	**(14.1)**	-	-	**(14.1)**
Reverse finance lease liability	-	-	**-**	-	-	**-**
Capital grants unapplied	7.9	-	**7.9**	-	(7.9)	**-**
Capital Financed by Grants and Contributions	9.2	-	**9.2**	-	6.4	**15.6**
Transfer to/from reserves	(9.1)	9.1	**-**	-	-	**-**
Total movement	**(0.5)**	**9.1**	**8.6**	**1.4**	**(1.5)**	**8.5**
Closing balance	**(9.6)**	**(96.5)**	**(106.1)**	**(43.3)***	**(15.8)**	**(165.1)**

*rounding

Movement in Usable Reserves 2020/21 Comparative Movements

Comparative 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)**

4. Movement in Unusable Reserves Analysis

2021/22 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	DSG Adjustment Account	Total Unusable Reserves £m
Opening balance	**3.4**	**(288.5)**	**13.6**	**0.4**	**282.4**	**(133.7)**	**-**	**(122.4)**
Depreciation	-	16.8	-	-	-	-	**-**	**16.8**
Revaluations and Impairments	-	(6.9)	-	-	-	-	**-**	**(6.9)**
Net revenue expenditure funded by capital under statute	-	0.3	-	-	-	-	**-**	**0.3**
Net book value of assets sold	-	1.4	-	-	-	-	**-**	**1.4**
Adjustments for Council tax and NDR receivable	-	-	(11.7)	-	-	-	**-**	**(11.7)**
Capital Financed by Receipts	-	(4.8)	-	-	-	-	**-**	**(4.8)**
Other Adjustments	-	1.6	-	-	-	-	**-**	**1.6**
Provision for the Redemption of Debt	-	(10.7)	-	-	-	-	**-**	**(10.7)**
Revenue Contribution to Capital Outlay	-	(0.3)	-	-	-	-	**-**	**(0.3)**
Reversal of IAS 19 Pensions Charges	-	-	-	-	14.1	-	**-**	**14.1**
Net movement on Revaluation Reserve	-	(1.5)	-	-	-	(14.2)	**-**	**(15.7)**
Short term leave adjustment	(0.5)	-	-	-	-	-	**-**	**(0.5)**
Actuarial Gain/Loss on Pensions	-	-	-	-	(23.2)	-	**-**	**(23.2)**
Capital Financed by Grants and Contributions	-	(15.7)	-	-	-	-	**-**	**(15.7)**
Reverse finance lease liability	-	-	-	-	-	-	**-**	**-**
Depreciation Revaluation Adjustment	-	-	-	-	-	-	**-**	**-**
PFI Liability	-	(0.2)	-	-	-	-	**-**	**(0.2)**
Move DSG Op Bal from Earmarked Reserve to Unusable Reserve	-	-	-	-	-	-	**(0.4)**	**(0.4)**
DSG Closedown 2021/22 Overspend	-	-	-	-	-	-	**0.7**	**0.7**
Total movement	**(0.5)**	**(20.0)**	**(11.7)**	**-**	**(9.1)**	**(14.2)**	**0.3**	**(55.2)**
Total Reserves	**2.9**	**(308.5)**	**1.9**	**0.4**	**273.3**	**(147.9)**	**0.3**	**(177.6)**

Movement in unusable reserves analysis 2020/21 comparative movements

2020/21 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	**2.9**	**(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)**

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 2021/22.

Reserve	01/04/21 £m	Transfer out £m	Transfer in £m	31/03/22 £m
Financial Resilience	(14.4)	1.2	(4.2)	(17.4)
Business Rates Smoothing	(9.2)	0.2	(2.0)	(11.0)
College Road Campus Maintenance	(0.4)	-	(0.1)	(0.5)
School Balances	(10.3)	1.5	(0.5)	(9.3)
Tourism Projects	(0.1)	0.1	(0.1)	(0.1)
Economic Growth	-	-	(0.1)	(0.1)
Waste Disposal	(8.3)	2.8	(2.4)	(7.9)
Settlement Monies	(3.3)	-	-	(3.3)
Risk Mitigation	(2.9)	2.9	-	-
Technology Enabled Communities	(1.5)	-	-	(1.5)
Remedial Roadworks	(0.1)	-	-	(0.1)
Additional Pension Costs	(2.5)	-	(2.3)	(4.8)
Whitecross School PFI	(1.6)	-	(0.2)	(1.8)
Severe Weather Fund	(1.1)	-	-	(1.1)
Adult Social Care Integration	(1.6)	-	(0.8)	(2.4)
Children’s Improvement Proposals	(5.2)	5.2	(1.9)	(1.9)
Short Breaks	(0.2)	0.2	-	-
ICT	(0.5)	0.1	-	(0.4)
Learning Disability	(1.1)	0.5	-	(0.6)
Recovery and Invest Fund	(0.5)	-	-	(0.5)
Knowledge Management System	-	-	(0.3)	(0.3)
Social Care Contingency	(0.5)	0.1	-	(0.4)
Other small reserves	(8.1)	1.2	(1.1)	(8.0)
Unused grants carried forward	(32.2)	21.2	(12.1)	(23.1)
Total	**(105.6)**	**37.2**	**(28.1)**	**(96.5)**

The note above incorporates the recommendations from the annual review of the earmarked reserves reported to Cabinet in October 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;

2020/21 £m		2021/22 £m
	Income	
(43.1)	Fees, charges and other service income	(36.0)
(3.2)	Trading and investment income	(4.1)
(3.2)	Interest and investment income	(2.5)
(132.7)	Income from council tax and non-domestic rates	(149.6)
(266.0)	Government grants and contributions	(251.5)
-	Loss on disposal of non-current assets	(0.5)
(448.2)	**Total Income**	**(444.2)**
	Expenditure	
121.2	Employee benefits expenses	138.2
237.7	Other service expenses	253.3
5.7	Support service recharges (net)	6.6
1.2	Loss on disposal of non-current assets	-
36.9	REFCUS, depreciation, amortisation and impairment	16.1
8.1	Trading and investment expenditure	2.6
14.8	Interest Expenditure	14.5
5.1	Precepts and levies	5.1
430.7	**Total Expenditure**	**436.4**
(17.5)	**(Surplus) or Deficit on the Provision of Services**	**(7.8)**

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 £18.9m in 2021/22 (£17.8m in 2020/21)

7. Other Operating Expenditure

2020/21 £m		2021/22 £m
4.9	Parish Council precepts	4.9
0.2	Levies	0.2
1.2	(Gains)/losses on the disposal of non-current assets	(0.5)
6.3	**Total**	**4.6**

8. Financing and Investment Income and Expenditure

2020/21 £m		2021/22 £m
8.6	Interest payable and similar charges	8.6
6.2	Pensions net interest and admin charge	5.9
(2.9)	Interest receivable	(2.5)
4.9	Income and expenditure in relation to trading accounts/investment properties and changes to their fair value, note 22	(1.5)
(0.3)	Other investment income	-
16.5	**Total**	**10.5**

9. Taxation and Non Specific Grant Income

2020/21 £m		2021/22 £m
(114.2)	Council tax income	(121.2)
(18.5)	Non domestic rates	(28.4)
(42.4)	Non-ring fenced government grants	(33.5)
(42.5)	Capital grants and contribution	(17.1)
2.3	Capital Grants Repaid	-
(215.3)	**Total**	**(200.2)**

10. Property, Plant and Equipment

Cost 2021/22	Land & Buildings	Vehicles, Plant, Furniture & Equipment	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
Opening balance at 1 April 2021	343.4	35.6	1.6	4.0	-	**384.6**	38.7	0.2	3.2	-	**426.7**	**36.5**
Additions	3.3	0.9	-	0.2	-	**4.4**	2.4	0.2	-	-	**7.0**	**0.3**
Disposals	(0.5)	-	-	-	-	**(0.5)**	(1.0)	-	-	-	**(1.5)**	**-**
Revaluation	19.0	3.7	-	0.4	-	**23.1**	(0.6)	-	-	-	**22.5**	**4.2**
Reverse Acc dep'n	(3.3)	(0.9)	-	-	-	**(4.2)**	-	-	-	-	**(4.2)**	**(1.2)**
Asset Transfers	(0.5)	-	-	(0.1)	-	**(0.6)**	0.6	-	-	-	**-**	**-**
Other movements	-	(2.4)	-	-	-	**(2.4)**	-	-	-	-	**(2.4)**	**-**
At 31 March 2022	**361.4**	**36.9**	**1.6**	**4.5**	**-**	**404.4**	**40.1**	**0.4**	**3.2**	**-**	**448.1**	**39.9**
Depreciation/ amortisation												
Opening balance at 1 April 2021	(0.4)	(4.9)	-	-	-	**(5.3)**	-	-	-	-	**(5.3)**	**(0.2)**
Charge for the year	(5.4)	(2.0)	-	-	-	**(7.4)**	-	(0.1)	-	-	**(7.5)**	**(1.2)**
Reverse Acc dep'n	3.3	0.9	-	-	-	**4.2**	-	-	-	-	**4.2**	**1.2**
Other movements	-	2.5	-	-	-	**2.5**	-	-	-	-	**2.5**	**-**
At 31 March 2022	**(2.5)**	**(3.5)**	**-**	**-**	**-**	**(6.0)**	**-**	**(0.1)**	**-**	**-**	**(6.1)**	**(0.2)**
Carrying amount at March 2022	**358.9**	**33.4**	**1.6**	**4.5**	**-**	**398.4**	**40.1**	**0.3**	**3.2**	**-**	**442.0**	**39.7**
Opening carrying amount at 1 April 2021	**343.0**	**30.7**	**1.6**	**4.0**	**-**	**379.3**	**38.7**	**0.2**	**3.2**	**-**	**421.4**	**36.4**

^ Total Property, Plant & Equipment excluding Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

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

Infrastructure Assets	**£m**
Opening Net book value at 1 April 2021	269.3
Additions	23.4
Depreciation charge for the year	(9.3)
Closing Net book value at 31 March 2022	**283.4**

Reconciliation to Balance Sheet	**£m**
Net book value of PPE excluding Infrastructure Assets	398.4
Net book value of Infrastructure Assets	283.4
Total Net book value of PPE at 31 March 2022	**681.8**

Restated Cost 2020/21	Land & Buildings	Vehicles, Plant, Furniture & Equipment	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
Opening balance at 1 April 2020	311.4	40.2	8.1	4.9	5.0	**369.6**	33.8	0.2	3.2	3.3	**410.1**	**42.0**
Additions	9.3	1.5	-	-	2.7	**13.5**	9.7	0.1	-	-	**23.3**	**0.4**
Disposals	-	-	-	-	-	**-**	(0.5)	-	-	(1.8)	**(2.3)**	**-**
Revaluation	16.0	(3.4)	-	(0.2)	-	**12.4**	(7.2)	-	-	0.2	**5.4**	**(3.4)**
Reverse Acc dep'n	(7.9)	(2.5)	-	-	-	**(10.4)**	-	-	-	-	**(10.4)**	**(2.5)**
Asset Transfers	14.6	-	(6.5)	(0.7)	(7.7)	**(0.3)**	2.9	-	-	(1.7)	**0.9**	**-**
Other movements	-	(0.2)	-	-	-	**(0.2)**	-	(0.1)	-	-	**(0.3)**	**-**
At 31 March 2021	**343.4**	**35.6**	**1.6**	**4.0**	**-**	**384.6**	**38.7**	**0.2**	**3.2**	**-**	**426.7**	**36.5**
Depreciation/ Amortisation												
Opening balance at 1 April 2020	(3.8)	(5.2)	-	-	-	**(9.0)**	-	(0.1)	-	-	**(9.1)**	**(1.6)**
Charge for the year	(4.5)	(2.4)	-	-	-	**(6.9)**	-	-	-	-	**(6.9)**	**(1.0)**
Reverse Acc dep'n	7.9	2.5	-	-	-	**10.4**	-	-	-	-	**10.4**	**2.5**
Other movements	-	0.2	-	-	-	**0.2**	-	0.1	-	-	**0.3**	**-**
At 31 March 2021	**(0.4)**	**(4.9)**	**-**	**-**	**-**	**(5.3)**	**-**	**-**	**-**	**-**	**(5.3)**	**(0.1)**
Carrying amount at March 2021	**343.0**	**30.7**	**1.6**	**4.0**	**-**	**379.3**	**38.7**	**0.2**	**3.2**	**-**	**421.4**	**36.4**
Opening carrying amount at 1 April 2020	**307.7**	**34.9**	**8.1**	**4.9**	**5.0**	**360.6**	**33.8**	**0.1**	**3.2**	**3.3**	**401.0**	**40.4**

^ Total Property, Plant & Equipment excluding Infrastructure Assets

Infrastructure Assets	£m
Opening Net book value at 1 April 2020	266.1
Additions	23.8
Depreciation charge for the year	(8.9)
Other movements	(11.7)
Closing Net book value at 31 March 2021	**269.3**

Reconciliation to Balance Sheet	£m
Net book value of PPE excluding Infrastructure Assets	379.3
Net book value of Infrastructure Assets	269.3
Total Net book value of PPE at 31 March 2021	**648.6**

Prior Period Adjustment

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

In the table above: the opening balances at 1 April 2020, depreciation transactions, revaluation transactions and closing balances at 31 March 2021 for Land & Buildings and Vehicle, Plant, Furniture & Equipment categories have been restated to reflect the reclassification of the council's Energy from Waste asset as an item of plant & machinery.

The previously reported opening balances at 1 April 2020 for Land & Buildings cost and depreciation have been adjusted by £33.m and £1.6m respectively with corresponding adjustments to increase Vehicle, Plant, Furniture & Equipment opening balances.

The previously reported balance for in year depreciation charge for Land & Buildings has been adjusted by £0.9m with a corresponding adjustment to increase the Vehicle, Plant, Furniture & Equipment charge in 2020/21. A further adjustment of £2.5m to remove accumulated depreciation following revaluation of the asset in 2020/21, has been made the decrease the amount disclosed within the Land & Buildings category and increase the amounts disclosed within Vehicle, Plant, Furniture & Equipment.

The previously reported Land & Buildings revaluation gain has been adjusted by £3.4m with a corresponding adjustment to increase the Vehicle, Plant Furniture & Equipment revaluation gain in 2020/21.

Depreciation

Depreciation is provided for on a straight line or reducing balance 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

Analysis of Capital Charges to Directorates

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

	Depreciation £m	Revaluations £m	Total 2021/22 £m
Adults and Communities	0.4	(0.5)	(0.1)
Children and Families	3.6	(4.6)	(1.0)
Economy and Place	10.5	(2.4)	8.1
Corporate and Central Services	2.3	-	2.3
Total	**16.8**	**(7.5)**	**9.3**

Capital Commitments

At 31 March 2022 the council had no significant capital commitments (31 March 2021 £2.3m John Kyrle High School (academy) to complete the New Permanent Accommodation project). The council's policy is that significant contracts are those with a value greater than £1m.

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 2021/22. 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 2022 total £663.0m. The effective date of the revaluations are as follows:

Valued as at:	Carrying amount of revalued assets £m
31 March 2022	283.9
31 March 2021	379.1
Total	**663.0**

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. 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.

2020/21 £m		2021/22 £m
(3.2)	Rental income from investment property	(2.2)
0.9	Direct operating expenses arising from investment property	0.1
(2.3)	**Total**	**(2.1)**

Details of the council's investment properties and information about the fair value hierarchy as at March 2022 and March 2021 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 2022	40.0
Investment properties as at 31 March 2021	38.7

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.

2020/21			2021/22	
Per Balance Sheet £m	Financial Instruments £m		Per Balance Sheet £m	Financial Instruments £m
		Long term debtors		
37.9	37.9	Loans	36.5	36.5
2.4	-	PFI lifecycle costs	2.4	-
40.3	**37.9**	**Total**	**38.9**	**36.5**
		Investments		
44.0	44.0	Short term investments	43.0	43.0
22.9	22.9	Cash and cash equivalents	42.5	42.5
66.9	**66.9**	**Total**	**85.5**	**85.5**
		Short term debtors		

2020/21			2021/22	
Per Balance Sheet £m	Financial Instruments £m		Per Balance Sheet £m	Financial Instruments £m
41.9	41.9	Sales invoices and contractual rights	32.4	32.4
19.0	-	Statutory debts (council tax, VAT etc.)	12.8	-
1.7	-	Prepayments	1.8	-
(10.4)	-	Bad debt provisions	(11.0)	-
52.2	**41.9**	**Total**	**36.0**	**32.4**

Financial Liabilities

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

2020/21			2021/22	
Per Balance Sheet £m	Financial Instruments £m		Per Balance Sheet £m	Financial Instruments £m
1.7	1.7	Cash and cash equivalents	2.3	2.3
1.7	**1.7**	**Total**	**2.3**	**2.3**
		Short term borrowing		
0.1	0.1	Bank loans	0.1	0.1
3.2	3.2	Public Works Loan Board	7.7	7.7
3.3	**3.3**	**Total**	**7.8**	**7.8**
		Short term creditors		
28.7	28.7	Invoiced amounts and other contractual liabilities	36.6	36.6
9.8	-	Statutory liabilities (PAYE etc.)	7.5	-
37.5	3.4	Accruals and receipts in advance	28.5	2.9
0.6	-	Funds and deposits held	0.8	-
76.6	**32.1**	**Total**	**73.4**	**39.5**
		Long term borrowing		
12.4	12.4	Bank loans	12.4	12.4
112.4	112.4	Public Works Loan Board	110.6	110.6
124.8	**124.8**	**Total**	**123.0**	**123.0**
		Other long term liabilities		
47.5	47.5	PFI liabilities and finance leases	44.5	44.5
282.3	-	Pensions liability	273.2	-
329.8	**47.5**	**Total**	**317.7**	**44.5**

Income, Expense, Gains and Losses

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

2020/21				2021/22		
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:			
5.2	-	5.2	Loans	5.4	-	5.4
3.4	-	3.4	PFI liabilities	3.2	-	3.2
8.6	**-**	**8.6**	**Total expense in surplus on the provision of services**	**8.6**	**-**	**8.6**
			Interest receivable:			
-	(2.4)	(2.4)	On loans	-	(2.6)	(2.6)
-	**(2.4)**	**(2.4)**	**Total income in surplus on the provision of services**	**-**	**(2.6)**	**(2.6)**
8.6	**(2.4)**	**6.2**	**Net loss/(gain) for the year**	**8.6**	**(2.6)**	**6.0**

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 2021				31 March 2022		
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
128.1	190.7	166.2	Total borrowing	130.8	177.5	156.3

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 £44.5m and the fair value as at 31 March 2022 totals £56.9m. The statements have not been adjusted for this as the PFI schemes are set to continue until expiry.

31 March 2021				31 March 2022		
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			
40.3	40.3	40.3	Long term debtors	38.9	38.9	38.9
44.0	44.0	44.0	Short term investments	43.0	43.0	43.0
22.9	22.9	22.9	Cash and cash equivalents	42.5	42.5	42.5
52.2	52.2	52.2	Short term debtors	36.0	36.0	36.0
159.4	**159.4**	**159.4**	**Total Financial Assets**	**160.4**	**160.4**	**160.4**
			Financial Liabilities			
115.6	167.8	147.3	Public Works Loan Board	118.2	156.8	139.0
12.6	22.9	18.9	Bank loans (LOBOs)	12.6	20.7	17.3
76.6	76.6	76.6	Short term creditors	73.4	73.4	73.4
47.5	64.3	64.3	PFI liabilities and finance leases	44.5	56.9	56.9
252.3	**331.6**	**307.1**	**Total Financial Liabilities**	**248.7**	**307.8**	**286.6**

31 March 2021 £m	Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2022 £m
	Assets			
32.9	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	31.3
5.0	Long term debtor - Other	3	Valued at amortised cost due to absence of comparable evidence or principal market	5.2
2.4	PFI lifecycle costs	2	Discount contractual cash flows of the remaining term	2.4
40.3	**Subtotal long-term debtors**			**38.9**
119.1	Other – short term	N/A	Fair value disclosure is not required for short term investments, short-term debtors or cash	121.5
159.4	**Total Assets**			**160.4**
	Liabilities			
147.3	PWLB and other debt	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	139.0
18.9	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	17.3
64.3	PFI Scheme Liabilities and Finance Lease Payables	2	Discount contractual cash flows of the remaining term	56.9
76.6	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	73.4
307.1	**Total Liabilities**			**286.6**

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 2021 £m		31 March 2022 £m
22.0	Central government bodies	15.3
3.0	Other local authorities	0.7
4.0	NHS bodies	4.2
23.2	Other entities and individuals	15.7
-	DHSC Agency Grants	0.1
52.2	**Total**	**36.0**

13. Cash and Cash Equivalents

31 March 2021 £m		31 March 2022 £m
5.3	Cash held by the council	5.8
17.6	Short term deposits	36.7
22.9	**Total**	**42.5**
(1.7)	Bank current accounts	(2.3)
21.2	**Total Cash and Cash Equivalents**	**40.2**

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

2020/21 £m		2021/22 £m
-	Net movement in Inventories	-
16.1	Net movement in Debtors	(17.6)
(32.9)	Net movement in Creditors	3.2
(37.0)	Depreciation, amortisation and impairment of non-current assets	(9.9)
(2.3)	Net Gain/Loss on sale of non-current assets (net book value of assets)	(1.5)
(9.2)	Net charges made for retirement benefits in accordance with IAS19	(14.1)
(1.3)	Net movement in Provisions	0.8
(66.6)	**Total**	**(39.0)**

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

2020/21 £m		2021/22 £m
1.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.9
1.1	**Total**	**1.9**

16. Investing Activities

2020/21 £m		2021/22 £m
47.1	Purchase of property, plant and equipment, investment property and intangible assets	30.4
(1.1)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.9)
23.5	Other receipts from investing activities	(3.0)
69.5	**Total**	**25.1**

17. Financing Activities

2020/21 £m		2021/22 £m
-	Cash Receipts of short-term and long-term borrowing	(5.0)
3.3	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	3.0
3.5	Repayments of short and long term borrowing, as shown below	2.4
6.8	**Total**	**0.4**

Reconciliation of liabilities arising from financing activities

	Long term borrowings	Short term borrowings	Total
1 April 2021	**126.8**	**-**	**126.8**
Cashflows: Repayment, note 17 above	2.6	-	2.6
31 March 2022	**129.4**	**-**	**129.4**

18. Creditors

31 March 2021 £m		31 March 2022 £m
(24.8)	Central government bodies	(19.0)
(2.4)	Other local authorities	(3.7)
(1.2)	NHS Bodies	(1.4)
(33.6)	Other entities and individuals	(36.1)
(2.0)	Monies due to agency NMiTE	-
(12.6)	Agency BEIS Business Support Grants	(3.1)
-	Agency DLUHC Support Grants	(10.1)
(76.6)	**Total**	**(73.4)**

19. Capital Grants Receipts in Advance

31 March 2021 £m		31 March 2022 £m
(1.6)	Central government bodies	(2.6)
-	Other local authorities	-
(8.0)	Other grants and contributions	(9.1)
(9.6)	**Total**	**(11.7)**

20. Provisions

The movement on provisions from 1 April 2021 to 31 March 2022 is set out below:

	Long term £m	Short term £m	Total £m
Balance at 1 April 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)**
Additional provisions made in 2021/22	-	(3.1)	(3.1)
Amounts used in 2021/22	-	1.5	1.5
Unused amounts reversed in 2021/22	0.9	1.5	2.4
Balance at 31 March 2022	**(3.5)**	**(3.8)**	**(7.3)**

The provisions held at 31 March 2022 are:

31/03/21 £m	Provision Name	Description	Additional Provisions £m	Amounts Used £m	Unused Amounts Reversed £m	31/03/22 £m
(2.0)	Insurance	For potential future insurance claims based on external professional assessment	-	-	0.4	(1.6)
-	Legal Provision	For potential legal litigation cases	(2.6)	-	-	(2.6)
(1.1)	Property Provision	Corporate property provisions	-	1.1	-	-
-	Corporate Services	Corporate Property Provisions	(0.5)	-	-	(0.5)
(0.1)	Provisions for children's services	Expected payments relating to children for schools, high needs and early years funding	-		0.1	-
(4.9)	NNDR Appeals	For future lodged and unlodged appeals against rating valuations.	-	0.4	1.9	(2.6)
(8.1)		**Total**	**(3.1)**	**1.5**	**2.4**	**(7.3)**

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).

2020/21 £m		2021/22 £m
260.2	**Balance at 1 April**	**282.4**
13.0	Re-measurement of the net defined benefit liability	(23.2)
23.1	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	28.5
(13.9)	Employer's pension contributions and direct payments to pensioners payable in the year	(14.5)
282.4	**Balance at 31 March**	**273.2**
281.7	Local Government pension scheme	272.6
0.7	Teachers	0.6
282.4	**Balance at 31 March**	**273.2**

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.

2020/21 £m		2021/22 £m
	Markets The council generates income from letting of premises and market stalls	
(0.4)	Turnover	(0.5)
(0.5)	Asset revaluation movement	(0.6)
0.1	Expenditure	0.1
(0.8)	**(Surplus)/deficit**	**(1.0)**
	Industrial Estates The council owns and manages a number of industrial estates throughout the county	
(1.4)	Turnover	(1.4)
1.3	Asset revaluation movement	0.2
0.1	Expenditure	-
-	**(Surplus)/deficit**	**(1.2)**
	Retail Properties The council owns retail premises in Hereford city centre from which it receives commercial rents	
(1.4)	Turnover	(0.2)
6.4	Asset revaluation movement	0.7
0.7	Expenditure	-
5.7	**(Surplus)/deficit**	**0.5**
	Other Properties The council owns properties from which it receives commercial rents	
-	Turnover	(0.1)
-	Asset revaluation movement	0.3
-	Expenditure	-
-	(Surplus)/deficit	**0.2**
4.9	**Total**	**(1.5)**

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 2021/22 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 2021/22 spend included £0.5m (2020/21 £2.2m) outside of Herefordshire that is not shown in the council accounts as this spend is incurred under an agency arrangement.

During 2021/22 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 £0.1m (2020/21 £4.8m) 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 £2.8m to NMiTE from this funding source during 2021/22 (2020/21 £3.7m).

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. During 2021/22 they are £1.0m national lockdown and local restrictions business grants, £16.2m restart grants, £1.8m omicron support grants, £0.2m test and trace isolation support payments and £1.2m in infection control grants.

Herefordshire Council acts as the accountable body for the Hereford Towns Fund programme. In 2021/22 the council passed through funding from the Department for Levelling Up, Housing and Communities to the appropriate lead organisations of £0.1m. These transactions are not included in the Councils accounts.

24. Pooled Budgets

The council has four pooled budgets for 2021/22: 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)

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
-	Herefordshire Council	-
(13.6)	Herefordshire CCG	(14.3)
(13.6)	Total Funding	**(14.3)**
	Expenditure met from pooled budget	
4.9	Herefordshire Council	5.5

2020/21 £m		2021/22 £m
7.8	Herefordshire CCG	8.2
12.7	Total Expenditure	**13.6**
(0.9)	**Net deficit / (surplus) on the pooled budget during the year**	**(0.7)**
(0.9)	**Herefordshire Council share of net deficit / (surplus)**	**(0.7)**

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)

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(2.3)	Herefordshire Council	(2.3)
-	Herefordshire CCG	-
(2.3)	Total Funding	**(2.3)**
	Expenditure met from pooled budget	
2.3	Herefordshire Council	1.2
-	Herefordshire CCG	-
2.3	Total Expenditure	**1.2**
-	**Net deficit / (surplus) on the pooled budget during the year**	(1.0)
-	**Herefordshire Council share of net deficit / (surplus)**	**(1.0)**

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. For 2021/22 the partners did not pool funding for this activity as the placements are not currently jointly commissioned.

Better Care Fund- Additional Revenue Fund

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(26.7)	Herefordshire Council	-
(11.5)	Herefordshire CCG	-
(38.2)	Total Funding	**-**
	Expenditure met from pooled budget	
23.7	Herefordshire Council	-
11.4	Herefordshire CCG	-

2020/21 £m		2021/22 £m
35.1	Total Expenditure	**-**
(3.1)	**Net deficit / (surplus) on the pooled budget during the year**	**-**
(3.0)	**Herefordshire Council share of net deficit / (surplus)**	**-**

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

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(6.6)	Herefordshire Council	(6.6)
-	Herefordshire CCG	-
(6.6)	Total Funding	**(6.6)**
	Expenditure met from pooled budget	
6.2	Herefordshire Council	6.1
-	Herefordshire CCG	-
6.2	Total Expenditure	**6.1**
(0.4)	**Net deficit / (surplus) on the pooled budget during the year**	**(0.5)**
(0.4)	**Herefordshire Council share of net deficit / (surplus)**	**(0.5)**

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

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(4.6)	Herefordshire Council	(4.6)
(0.9)	Herefordshire CCG	(0.9)
(5.5)	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**
0.2	**Net deficit / (surplus) on the pooled budget during the year**	**0.2**
0.2	**Herefordshire Council share of net deficit / (surplus)**	**0.1**

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

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(0.7)	Herefordshire Council	(0.7)
(0.8)	Herefordshire CCG	(0.9)
(1.5)	Total Funding	**(1.6)**
	Expenditure met from pooled budget	
0.7	Herefordshire Council	0.7
0.9	Herefordshire CCG	0.9
1.6	Total Expenditure	**1.6**
0.1	**Net deficit / (surplus) on the pooled budget during the year**	**-**
0.0	**Herefordshire Council share of net deficit / (surplus)**	**-**

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.

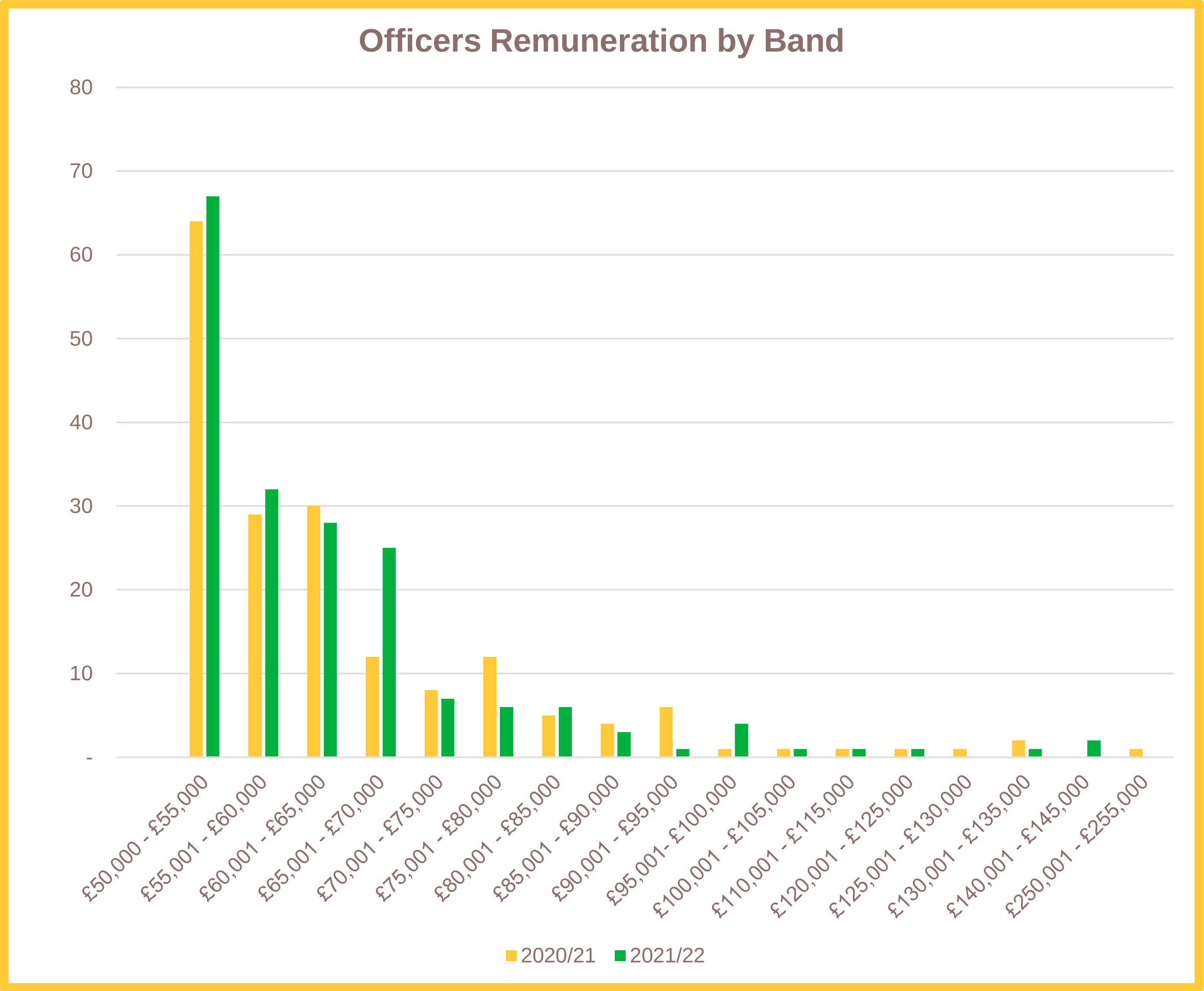
Covid-19 Hospital Discharge Scheme

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(2.0)	Herefordshire Council	-
(9.7)	Herefordshire CCG	(2.6)
(11.7)	Total Funding	**(2.6)**
	Expenditure met from pooled budget	
2.0	Herefordshire Council	2.6
9.7	Herefordshire CCG	-
11.7	Total Expenditure	2.6
-	**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 2021/22 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 2022 was 1,390 non-school staff (1,359 at 31 March 2021) and 2,243 schools' staff (2,160 at 31 March 2021).

Post			Note	Salary, Fees & Allowances £000s	Compensation for loss of office / Benefits in kind £000s	Pension contributions £000s	Total £000s
Chief Executive	P Walker	2021/22	1	143	-	-	143
	A Neill	2020/21		134	120	24	278
Chief Finance Officer/ Section 151 Officer		2021/22	2	111	-	20	131
		2020/21		106	-	20	126
Solicitor for the Council (Monitoring Officer)		2021/22	2 & 8	98	-	23	121
		2020/21		126	-	26	152
Director for Children and Families		2021/22	3	22	33	2	57
	C Baird	2020/21		128	-	23	151
Corporate Director, Children and Families		2021/22	3	33	-	6	39
		2020/21		-	-	-	-
Director for Adults and Communities		2021/22	4	52	-	6	58
	S Vickers	2020/21		127	-	24	151
Corporate Director, Community Wellbeing		2021/22	4	99	-	17	116
		2020/21		-	-	-	-
Director of Economy and Place		2021/22	5	22	90	8	120
	R Ball	2020/21		127	-	24	151
Corporate Director, Economy and Environment		2021/22	5	17	-	3	20
		2020/21		-	-	-	-
Director of Public Health		2021/22	6	5	-	1	6
		2020/21		59	-	13	72
Acting Director of Public Health		2021/22	7	89	-	16	105
		2020/21		12	-	2	14

Notes:

1. The Chief Executive retired on 11 February 2021. A new Chief Executive commenced in post on 4 May 2021.
2. In addition to their substantive roles, the 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.
3. The Director for Children and Families left on 30 April 2021. The post was filled by temporary contract during the period to 31 December 2021. The post title became Corporate Director, Children and Families from 1 January 2022.
4. The Director for Adults and Communities left on 4 July 2021. The post has been filled by an interim since then, with the new post of Corporate Director, Community Wellbeing being advertised.
5. The Director for Economy and Place left on 31 July 2021. The post was filled by temporary contract to 13 February 2022. The post titled became Corporate Director, Economy and Environment with a new director commencing in post 14 February 2022.
6. The Director for Public Health left on 31 December 2020; they were paid a market forces supplement of £12,000 and the new Director of Public Health commenced in post in March 2022.
7. An Acting Director for Public Health was appointed effective from 25 November 2020 until March 2022.
8. The Solicitor to the Council (Monitoring Officer) left in March 2022. The post has been filled by temporary contract.

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 2021/22 terminations was £0.1m (£0m in 2020/21). The total amount of actuarial strain paid to Worcestershire County Council in 2021/22 was £0.1m (£0m in 2020/21).

Exit package cost band (including special payments	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	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	3	1	13	26	16	27	94	257
£20,001 - £40,000	1		1	4	2	4	42	104
£40,001 - £60,000	-	-	-	1	-	1	-	44
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,0001 - £120,000	-	-	1	1	1	1	120	90
Total	**4**	**1**	**15**	**32**	**19**	**33**	**256**	**495**

27. External Audit Costs

A fee of £219k was due to Grant Thornton in 2021/22. This fee comprises £200k statutory audit fees: £180k accrued audit fee for 2021/22 (£102k agreed fee plus £78k additional fee) and £20k agreed by the Public Sector Audit Appointments body to cover additional work required in certifying the 2020/21 accounts. Non statutory audit fees of £19k were paid to Grant Thornton in respect of grant certifications.

2020/21 £m		2021/22 £m
0.2	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.2	**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 2021/22 are as follows:

Total 2020/21 £m		Central Expenditure 2021/22 £m	Individual Schools Budget 2021/22 £m	Total 2021/22 £m
132.7	Final DSG allocation before academy recoupment			**143.1**
(48.8)	Less academy figure recouped			**(52.5)**
83.9	**Total DSG after academy recoupment for the year**			**90.6**
1.1	Brought forward from previous year			**0.7**
(0.9)	Less carry forward to following year agreed in advance			**(0.5)**
84.1	**Agreed budgeted distribution in the year**	**16.2**	**74.6**	**90.8**
(14.6)	Less: Actual central expenditure	(17.1)	-	**(17.1)**
(69.7)	Less: Actual Individual Schools Budget deployed to schools	-	(74.5)	**(74.5)**
(0.2)	**Less: Overspend 2020/21**	**(0.9)**	**0.1**	**(0.8)**
0.9	Add carry forward agreed in advance			**0.5**
0.7	**Carried forward to following year**			**(0.3)**
-	Total of DSG unusable deficit reserve at the end of year			**(0.4)**
0.7	Total of DSG usable surplus reserve at the end of year			**0.1**
0.7	**Net DSG position**			**(0.3)**

As at 31 March 2022, total DSG reserves were a deficit of £275,319 comprising an unusable deficit reserve of £345,319 and a usable surplus reserve of £70,000 committed to early years post Covid catch up projects in 2022/23.

29. Grant Income

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

2020/21 £m		2021/22 £m
	Credited to Taxation and Non-Specific Grant Income	
0.6	Revenue Support Grant	0.6
41.8	Other non-ring fenced grants	32.9
114.2	Council Tax income	121.2
18.5	Business rates income	28.4
42.5	Capital grants	17.1
(2.3)	Capital Grants Repaid	-
215.3	**Credited to Taxation and Non Specific Grant Income**	**200.2**
	Credited to Services	
94.6	Department for Education	103.8
30.3	Department for Levelling Up, Housing & Communities	20.5
34.0	Department for Work and Pensions	32.1

2020/21 £m		2021/22 £m
1.3	Department for Transport	0.7
2.7	Department for Culture, Media and Sport	0.6
0.4	Department for Environment, Food and Rural Affairs	0.1
18.8	Department of Health	19.1
18.7	Other grants and contributions	24.0
200.8	**Credited to Services**	**200.9**
416.1	**Total**	**401.1**

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 2021/22 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 £31.0m to Worcestershire County Council (£29.9m in 2020/21), including payments to the pension fund and for the joint waste disposal contract. Payments to the CCG in 2021/22 totalled £3.1m (£2.7m in 2020/21). A total of £3.7m was paid to Wye Valley NHS Trust (£3.2m in 2020/21).

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 £35.4m to Balfour Beatty in 2021/22 (£38.3 in 2020/21).

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 £4.8m in 2021/22 (£4.6m in 2020/21).

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 2021/22 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 2022		
	31-Mar-22	**Herefordshire Council share**
	£m	**£m**
Short term debtors	10.8	2.7
Cash and cash equivalents	3.3	0.8
Current assets	**14.1**	**3.5**
Short term creditors	(12.2)	(3.0)
Current liabilities	**(12.2)**	**(3.0)**
Net current assets	**1.9**	**0.5**
Other long term liabilities	(0.3)	(0.1)
Long term liabilities	**(0.3)**	**(0.1)**
Net liabilities	**1.6**	**0.4**
Financed by:		
General Fund	1.7	0.5
Result for year	0.2	0.0
Pensions reserve	(0.3)	(0.1)
Total reserves	**1.6**	**0.4**
INCOME		
Turnover	(67.6)	(16.9)

Other organisations – Cyber Quarter Limited

Cyber Quarter Limited is the company that owns and operates the Midlands Cyber Centre.

On 29 March 2019 the council became a shareholder in Cyber Quarter Limited, taking a 19% shareholding, at a cost of £1 per share, the remaining shares are held by the University of Wolverhampton. This stake in the company is treated as a simple investment in the council's accounts.

On 1 April 2019 a commercial loan of £3.5m was granted from the council to the joint venture. This is shown as a long term debtor in the council accounts. The interest rate is fixed at 5.99% and repayment over 30 years with no repayments due in the first five years, equal repayments falling due thereafter.

Transactions invariably take place between the two parties. These transactions are deemed to be conducted on an independent and arms-length basis.

Even though Herefordshire Council are a minority shareholder, they currently have equal representation on the board of Cyber Quarter Limited, and, for that reason, are shown in Herefordshire Council's 2021/22 Final Accounts as a related party.

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 2021/22.

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.

The table below includes an entry to disclose capital loan repayments of £6.8m. This represents the cumulative balance of capital loan repayments to 31 March 2022; £3.7m for the period to 31 March 2020, £1.5m in 2020/21 and £1.6m in 2021/22.

2020/21 £m		2021/22 £m
316.0	**Opening capital financing requirement**	**313.6**
	Capital investment	
37.3	Property, Plant and Equipment	27.4
0.1	Intangible	0.2
9.7	Investment Properties	2.5
7.1	Revenue expenditure funded from capital under statute	6.9
0.4	Assets acquired under PFI contracts	0.3
0.6	Long term debtors (including loans and PFI prepayments)	-
	Sources of finance	
(0.7)	Capital receipts	(3.3)
-	Loan fund principal	(6.8)
0.6	Loan repayment	0.6
(43.7)	Government grants and other contributions	(22.3)
	Sums set aside from revenue	
(0.4)	Direct revenue contributions	-
(3.7)	De-capitalised road costs	-
(9.7)	Minimum Revenue Provision (MRP)	(10.7)
313.6	**Closing capital financing requirement**	**308.4**
	Explanation of movements in year	
10.6	Increase in underlying need to borrow	12.0
0.4	Assets acquired under PFI contracts	0.3
-	Repayment of Long term debtors	(6.8)
(3.7)	De-capitalised road costs	-
(9.7)	Minimum Revenue Provision (MRP)	(10.7)
(2.4)	**Adjusted to Services**	**(5.2)**

32. Leases

Council as Lessee

Finance Leases

The council holds no finance leases; it did not hold any in 2020/21

Council as Lessor

Finance Leases

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

Operating Leases

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

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

	Amounts Payable						Amounts Receivable	
	Minimum Lease Payments		Finance Lease Liabilities		Operating Leases		Operating Leases	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Payable/receivable in the year	-	-	-	-	0.4	0.6	-	-
Not later than one year	-	-	-	-	0.3	0.4	2.7	2.8
Later than one year and not later than five years	-	-	-	-	1.0	1.3	8.2	8.2
Later than five years	-	-	-	-	1.3	1.5	22.8	23.4
Total due in future years	**-**	**-**	**-**	**-**	**3.0**	**3.8**	**33.7**	**34.4**

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 £4.1m in 2021/22 (£4.0m in 2020/21).

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 2021	8.1	28.1	**36.2**
Additions	-	0.3	**0.3**
Revaluations	0.6	3.6	**4.2**
Depreciation	(0.1)	(1.0)	**(1.1)**
Balance at 31 March 2022	**8.6**	**31.0**	**39.6**

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:

2020/21		2021/22			
Total		Shaw Healthcare	Whitecross School	Waste Disposal	Total
£m		£m	£m	£m	£m
50.4	Balance outstanding at start of year	6.4	11.0	30.1	**47.5**
(2.9)	Payments during the year	(0.4)	(0.9)	(1.7)	**(3.0)**
-	Capital expenditure in the year	-	-	-	**-**
47.5	**Balance outstanding at year end**	**6.1**	**10.1**	**28.4**	**44.5**

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	11.2	0.4	3.7	3.2	**18.5**
Within 2 to 5 years	16.2	1.7	31.6	6.6	**56.1**
Within 6 to 10 years	26.5	2.4	8.0	4.5	**41.4**
Within 11 to 15 years	9.6	0.1	1.6	1.6	**12.9**
Within 16 to 20 years	-	-	-	-	**-**
Balance outstanding at year end	**63.5**	**4.6**	**44.9**	**15.9**	**128.9**

The PFI future year commitments total of £128.9m shown above includes inflation assumptions, without inflation the future year commitments would be £41.5m 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 2021/22 no borrowing costs were capitalised (none in 2020/21).

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 2021/22 the council paid employer contributions of £7.2m (2020/21 £7.0m) 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 £0.62m is included in the pension fund liability in the balance sheet in 2021/22 (£0.7m in 2020/21).

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

2020/21 £m		2021/22 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
16.9	Current service cost	22.5
-	(Gain)/loss from settlements and curtailments	0.1
-	Past service cost	-
	Financing and Investment Income and Expenditure:	
6.0	Net interest expense	5.7
0.2	Administration expenses	0.2
23.1	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**28.5**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Actuarial (gains) and losses arising on changes in the following assumptions	
(14.4)	Experience (gain) / loss	2.1
106.6	(Gain) / loss on financial assumptions	(0.3)
-	(Gain) / loss on demographic assumptions	(5.8)
(79.3)	Re-measurements of assets	(19.1)
12.9	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(23.1)**
	Movement in Reserves Statement	
9.3	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	14.1
	Amount charged to the General Fund balance for pensions in the year	
13.9	Employer's contribution payable to the scheme	14.4

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2022 (since the introduction of the statement in the 2009/10 restated accounts) is a loss of £85.3m.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

2020/21 £m		2021/22 £m
748.7	Present value of the defined benefit obligation	769.1
(467.0)	Fair value of plan assets	(496.5)
281.7	**Net liability arising from defined benefit obligation**	**272.6**

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

The table below shows the movement on the pension liability

2020/21 £m		2021/22 £m
638.6	**Opening balance**	**748.7**
16.9	Current Service Cost	22.4
-	Past Service Cost	-
15.2	Interest Cost	15.6
3.4	Contributions by Scheme Participants	3.6
	Re-measurement (gains) and losses	
92.3	Actuarial (gains)/losses arising from changes in assumptions	(4.0)
-	Losses/(gains) on curtailments	0.1
(17.7)	Benefits/transfers paid	(17.3)
748.7	**Closing balance**	**769.1**

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

The table below shows the movement on the pension assets

2020/21 £m		2021/22 £m
379.2	**Opening fair value of scheme assets**	**467.0**
9.1	Interest income	9.9
79.3	Re-measurement gain/(loss): the return on plan assets, excluding amount included in the net interest expense	19.1
(0.2)	Administration expenses	(0.2)
13.9	Contribution from employer	14.4
3.4	Contributions from employees into the scheme	3.6
(17.7)	Benefits/transfers paid	(17.3)
467.0	**Closing fair value of scheme assets**	**496.5**

The actual return on scheme assets in the year was £29m, 5.8% of the period end assets (2020/21 £88.5m, 18.9%).

Local Government Pension Scheme assets (at fair value) comprised

31 March 2021 £m		Quoted (Y/N)	31 March 2022 £m
	Cash		
-	Cash instruments	Y	-
-	Cash accounts	Y	-
-	Net current assets	N	-
	Equity instruments		
0.6	UK quoted	Y	0.6
146.2	Overseas quoted	Y	121.5
64.9	Pooled investment vehicle - UK managed funds	N	68.4
184.4	Pooled investment vehicle - UK managed funds (overseas equities)	N	198.4
0.6	Pooled investment vehicle - overseas managed funds	N	4.0
	Property		
8.9	European property funds	N	-
1.8	UK property debt	N	3.5
1.3	Overseas property debt	N	2.3
9.4	UK property funds	N	21.9
0.4	Overseas real estate investment trust	N	-
	Alternatives		
18.2	UK infrastructure	N	23.4
12.9	European Infrastructure	N	15.6
9.7	US Infrastructure	N	13.0
1.6	UK Stock Options	N	2.1
0.4	Overseas Stock Options	N	(1.0)
5.3	Corporate Private Debt	N	7.8
	Bonds		
-	UK Corporate	Y	-
-	Overseas Corporate	Y	-
0.4	Other bonds	N	-
-	LGPS Central Global Pooled Funds	N	7.0
-	UK Government Fixed	Y	8.0
467.0	**Closing fair value of scheme assets**		**496.5**

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 2022 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)	
22.7	Men	22.6
25.1	Women	25.0
	Longevity at 65 for future pensioners (years)	
24.4	Men	24.1
27.1	Women	27.0
	Financial Assumption	
2.7%	Rate of CPI inflation	3.4%
4.2%	Rate of increase in salaries	4.9%
2.8%	Rate of increase in pensions	3.5%
2.1%	Rate for discounting scheme liabilities	2.8%

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	(12.8)
0.1% increase in inflation rate	13.0
0.1% increase in the salary increase rate	1.1
1 year increase in the member life expectancy	23.0
0.1% increase in investment returns	(5.0)
0.1% decrease in investment returns	5.0

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 2023 is £14.6m.

Scheme History

Scheme History	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Present value of liabilities	(486.0)	(602.1)	(594.6)	(661.9)	(638.6)	(748.7)	(769.1)
Value of Scheme assets	281.7	355.1	369.5	393.6	379.2	467.0	496.5
(Deficit) in scheme	**(204.3)**	**(247.0)**	**(225.1)**	**(268.3)**	**(259.4)**	**(281.7)**	**(272.6)**

37. Contingent Liabilities

The Council has identified the following contingent liability as at 31 March 2022.
A Council owned building is currently leased to a third party organisation. Refurbishments, carried out and paid for by the lessee, may be repayable by the Council if the building is vacated at an estimated cost of £2 million.

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 2021/22 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 2022 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and uncollectability 31 March 2021 £m	Estimated maximum exposure to default and uncollectability 31 March 2022 £m
Deposits with banks and financial institutions	64.7	-	-	-	-
Customers	11.4	0.3	0.3	-	-

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

31 March 2021 £m		31 March 2022 £m
7.3	Less than 3 months	5.3
0.7	3 to 6 months	1.2
1.3	6 months to 1 year	1.0
3.6	More than 1 year	3.9
12.9	**Total**	**11.4**

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 2021 £m		31 March 2022 £m
3.3	Less than 1 year	7.8
	More than 1 year	
6.5	Between 1 and 2 years	3.1
15.2	Between 2 and 5 years	19.6
17.9	Between 5 and 10 years	21.0
85.2	More than 10 years	79.3
128.1	**Total borrowing per balance sheet**	**130.8**

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	1.0

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 2021 £m	**Repayment of Trust Fund Balances £m**	**Balance at 31 March 2022 £m**
Other Funds	0.1	-	0.1

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

40. Note Prior Period Adjustment of Net Cost of Services

This Note restates the 2020/21 Net Cost of Services within the Comprehensive Income and Expenditure Statement into the new Directorate Headings presented in the 2021/22 Accounts. The Net Cost of Services for 2020/21 have been restated to present comparatives in line with 2021/22. Adults and Communities Directorate becomes the Community and Wellbeing Directorate and Economy and Place becomes Economy and Environment. There has been a movement of services between the old directorates and the new directorates.

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2020/21 £m	Adjustments due to changes in New Directorate Structure £m	As Restated 2020/21 £m
Adults and Communities	48.2	(48.2)	-
Childrens and Families	35.9	-	35.9
Economy and Place	59.2	(59.2)	0.0
Economy and Environment	-	58.3	58.3
Corporate Services	31.7	(1.4)	30.3
Community and Wellbeing	-	50.5	50.5
Net Cost of Services	**175.0**	**-**	**175.0**
Gross Expenditure	**£m**	**£m**	**£m**
Adults and Communities	103.7	(103.7)	-
Childrens and Families	138.9	-	138.9
Economy and Place	85.2	(85.2)	-
Economy and Environment	-	80.9	80.9
Corporate Services	73.7	2.0	75.7
Community and Wellbeing	-	106.0	106.0
	401.5	**-**	**401.5**
Gross Income	**£m**	**£m**	**£m**
Adults and Communities	(55.5)	55.5	-
Childrens and Families	(103.0)	-	(103.0)
Economy and Place	(26.0)	26.0	-
Economy and Environment	-	(22.5)	(22.5)
Corporate Services	(42.0)	(3.4)	(45.4)
Community and Wellbeing	-	(55.6)	(55.6)
	(226.5)	**-**	**(226.5)**

41. Non-adjusting events

Academy Conversions

Two schools have converted to academy status after 31 March 2022. As these have converted after the reporting period they are non-adjusting events and are reported below for information.

Name of School	Date of Conversion	Asset Value at 31 March 2022 £m
St Peter’s Primary School, Bromyard	01/09/2022	2.7
Bredenbury Primary School	01/09/2022	1.1

Statement of Group Accounts and Explanatory Notes

42. 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 £21.2m in 2021/22 (2020/21: £16.8m). This included revenue from services provided to Herefordshire Council of £13.6m in 2021/22 (2020/21: £9.5m). The council provided services to Hoople Limited of £0.5m in 2021/22 (2020/21: £0.8m). 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 2021/22 (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 2021/22 Herefordshire Council held 84% (2020/21 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.

2020/21 (Restated)					2021/22			
Net Core £m	Group entities £m	Adjs £m	Group £m		Net Core £m	Group entities £m	Adjs £m	Group £m
48.2	-	(1.6)	46.6	Communities and Wellbeing	57.5	-	(3.6)	53.9
35.9	-	(1.3)	34.6	Children and Young People	44.7	-	(1.3)	43.4
59.2	-	(0.2)	59.0	Economy and Environment	31.6	-	(0.2)	31.4
31.7	(0.3)	3.1	34.5	Corporate and Central Services	43.5	(0.6)	5.1	48.0
175.0	**(0.3)**	**-**	**174.7**	**Net Cost of Services**	**177.3**	**(0.6)**	**-**	**176.7**
6.3	-	-	6.3	Other Operating Expenditure	4.6	-	-	4.6
16.5	-	-	16.5	Financing, Investment Income and Expenditure	10.5	-	-	10.5
(215.3)	-	-	(215.3)	Taxation and Non-Specific Grant Income	(200.2)	-	-	(200.2)
(17.5)	**(0.3)**	**-**	**(17.8)**	**(Surplus) or deficit on the provision of services**	**(7.8)**	**(0.6)**	**-**	**(8.4)**
(15.7)	-	-	(15.7)	(Surplus) / deficit in revaluation of non-current assets	(15.7)	-	-	(15.7)
13.0	-	-	13.0	Re-measurement of net Defined Benefit Liability	(23.2)	-	-	(23.2)
(2.7)	**-**	**-**	**(2.7)**	**Other comprehensive (income) / expenditure**	**(38.9)**	**-**	**-**	**(38.9)**
(20.2)	**(0.3)**	**-**	**(20.5)**	**Total comprehensive (income) / expenditure**	**(46.7)**	**(0.6)**	**-**	**(47.3)**

The Surplus on the Provision of Services of £8.4m includes a Surplus of £0.1m attributable to the Minority Interest (2020/21 £0m).

The Total comprehensive (income) / expenditure attributable to the Minority Interest is £0.1m income (2020/21 £0m income).

These Minority Interests represent 16% (2020/21 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.

2021/22	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)**	**(105.6)**	**(114.7)**	**(44.6)**	**(14.3)**	**(173.6)**	**(122.4)**	**(296.0)**	**(2.7)**	**(298.7)**
(Surplus) or deficit on the provision of services	(7.8)	-	(7.8)	-	-	**(7.8)**	-	(7.8)	(0.6)	(8.4)
Other comprehensive income and expenditure	-	-	-	-	-	**-**	(38.9)	(38.9)		(38.9)
Total comprehensive income and expenditure	**(7.8)**	**-**	**(7.8)**	**-**	**-**	**(7.8)**	**(38.9)**	**(46.7)**	**(0.6)**	**(47.3)**
Adjustments between accounting basis and funding basis under regulations	16.4	-	16.4	1.4	(1.5)	**16.3**	(16.3)	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	**8.6**	**-**	**8.6**	**1.4**	**(1.5)**	**8.5**	**(55.2)**	**(46.7)**	**(0.6)**	**(47.3)**
Transfers to or from earmarked reserves	(9.1)	9.1	-	-	-	**-**	-	-	-	-
Decrease/(Increase) for the Year	**(0.5)**	**9.1**	**8.6**	**1.4**	**(1.5)**	**8.5**	**(55.2)**	**(46.7)**	**(0.6)**	**(47.3)**
Balance Carried Forward	**(9.6)**	**(96.5)**	**(106.1)**	**(43.2)**	**(15.8)**	**(165.1)**	**(177.6)**	**(342.7)**	**(3.3)**	**(346.0)**

Group Movement in Reserves Statement 2020/21 Comparative

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 Balance Sheet

Summarised

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2022 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.

2020/21			2021/22	
Core	**Group**		**Core**	**Group**
£m	**£m**		**£m**	**£m**
730.8	730.8	Long term assets	764.3	764.3
119.3	124.2	Current assets	121.6	127.4
(85.3)	(87.5)	Current liabilities	(87.3)	(89.8)
(468.7)	(468.7)	Long term liabilities	(455.9)	(455.9)
296.1	**298.8**	**Net Assets**	**342.7**	**346.0**
		Represented by:		
(173.7)	(176.4)	Usable reserves	(165.1)	(168.4)
(122.4)	(122.4)	Unusable reserves	(177.6)	(177.6)
(296.1)	**(298.8)**	**Total Group Reserves**	**(342.7)**	**(346.0)**

The Minority Interest share of subsidiary reserves represents an Unusable reserve to the Council in 2021/22 of £0.5m (2020/21: £0.4m).

The audited 2021/22 financial statements of Hoople Limited will be filed with Companies House before the statutory due date of 31 December 2022. 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 unaudited group accounts were authorised for issue on 29 July 2022.

Group Balance Sheet Detailed

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2022 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements

31 March 2021 £m		Notes	31 March 2022 £m
648.6	Property, Plant and Equipment		681.8
38.7	Investment Property		40.1
0.1	Intangible Assets		0.3
3.2	Heritage Assets		3.2
40.2	Long Term Debtors		38.9
730.8	**Long Term Assets**		**764.3**
44.0	Short term Investments		43.0
0.2	Inventories		0.1
53.7	Short Term Debtors	G7	36.6
26.3	Cash & Cash equivalents	G5	47.7
-	Assets held for Sale		0
124.2	**Current Assets**		**127.4**
(3.3)	Short Term Borrowing		(7.8)
(78.5)	Short Term Creditors	G6	(75.5)
(4.0)	Short Term Provisions		(4.2)
(1.7)	Cash & Cash equivalents	G5	(2.3)
(87.5)	**Current Liabilities**		**(89.8)**
(4.4)	Long term provisions		(3.5)
(124.9)	Long term borrowing		(123.0)
(9.6)	Capital Grants Receipts in Advance		(11.7)
(329.8)	Other Long Term Liabilities		(317.7)
(468.7)	**Total Long Term Liabilities**		**(455.9)**
298.8	**Net Assets**		**(346.0)**
(176.4)	Usable Reserves		(168.4)
(122.4)	Unusable Reserves		(177.6)
(298.8)	**Total Reserves**		**(346.0)**

Group Cash Flow Statement

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

2020/21 £m		Notes	2021/22 £m
(17.8)	Net (surplus) or deficit on the provision of services		(8.4)
(66.8)	Adjust net (surplus) or deficit on the provision of services for non-cash movements		(40.2)
1.1	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1.9
(83.5)	**Net cash flows from operating activities**		**(46.7)**
69.5	Net cash flows from investing activities		25.5
6.8	Net cash flows from financing activities		0.4
(7.2)	**Net decrease or (increase) in cash and cash equivalents**		**(20.8)**
(17.4)	Cash and cash equivalents at the beginning of the reporting period	G5	(24.6)
(24.6)	Cash and cash equivalents at the end of the reporting period	G5	(45.4)
(7.2)	**Net decrease or (increase) in cash and cash equivalents**		**(20.8)**

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 2021/22 “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	**2020/21 £m**	**2021/22 £m**
Turnover	(16.8)	(21.2)
(Profit) / Loss on ordinary activities before taxation	**(0.3)**	**(0.6)**
Tax on profit on ordinary activities	-	-
(Profit) / Loss for the financial year after taxation	**(0.3)**	**(0.6)**
Other comprehensive (income) / expenditure	-	-
Total comprehensive (income) / expenditure for the year	**(0.3)**	**(0.6)**

Statement of financial position	**2020/21 £m**	**2021/22 £m**
Non-current assets	-	-
Current assets	5.4	6.6
Liabilities due within one year	(2.7)	(3.3)
Liabilities due after one year	-	-
Net Liabilities and Reserves	**2.7**	**3.3**

G3. Group Nature of Expenses Disclosure

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

2020/21 £m		2021/22 £m
	Income	
(49.6)	Fees, charges and other service income	(43.1)
(3.2)	Trading and investment income	(4.1)
(3.2)	Interest and investment income	(2.5)
(132.7)	Income from council tax and non-domestic rates	(149.6)
(266.0)	Government grants and contributions	(251.5)
-	Gains on disposal of non-current assets	(0.5)
(454.7)	**Total Income**	**(451.3)**
	Expenditure	
132.6	Employee benefits expenses	150.2
232.5	Other service expenses	247.8
5.7	Support service recharges (net)	6.6
1.2	Loss on disposal of non-current assets	-
36.9	Depreciation, amortisation and impairment	16.1
8.1	Trading and investment expenditure	2.6
14.8	Interest expenditure	14.5
5.1	Precepts and levies	5.1
436.9	**Total Expenditure**	**442.9**
(17.8)	**(Surplus) / Deficit on the Provision of Services**	**(8.4)**

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 2022 was £0.78m of which employer's contributions totalled £0.54m and employees' contributions totalled £0.24m.

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.

2020/21 £m		2021/22 £m
0.2	Employees' contributions	0.2
0.2	Employers' contributions	0.3
0.4	**Total**	**0.5**

G5. Group Cash and Cash Equivalents

31 March 2021 £m		31 March 2022 £m
8.7	Cash held by the Group	11.0
17.6	Short term deposits	36.7
26.3	**Total**	**47.7**
(1.7)	Bank current accounts	(2.3)
24.6	**Total Cash and Cash Equivalents**	**45.4**

Hoople Limited held £5.2m of short term cash balances as at 31 March 2022 (31 March 2021 £3.4m)

G6. Group Short Term Creditors

31 March 2021 £m		31 March 2022 £m
(25.5)	Central government bodies	(19.6)
(2.9)	Other local authorities	(4.1)
(1.5)	NHS bodies	(1.7)
(34.0)	Other entities and individuals	(36.9)
(2.0)	Monies due to agency NMiTE	-
(12.6)	Agency BEIS Business Support Grants	(3.1)
-	Agency DLUHC Support Grants	(10.1)
(78.5)	**Total**	**(75.5)**

Hoople Limited had short term liabilities totalling £3.3m as at 31 March 2022 (31 March 2021 £2.7m). These included Trade creditors, Accruals and VAT liability in line with normal business activities.

G7. Group Short Term Debtors

31 March 2021 £m		31 March 2022 £m
22.3	Central government bodies	15.5
3.4	Other local authorities	0.9
4.6	NHS bodies	4.4
23.4	Other entities and individuals	15.7
-	DHSC Agency Grants	0.1
53.7	**Total**	**36.6**

Hoople Limited had short term assets totalling £6.5m as at 31 March 2022 (31 March 2021 £5.4m). These included trade debtors and their short term cash balances.

G8. External audit costs

2020/21 £m		2021/22 £m
0.2	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.2	**Total**	**0.2**

The above fees included £22k in respect of Hoople Limited audit fees (2020/21 £22k)

Supplementary Accounts- Collection Fund

43. 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.

2020/21		2021/22		
Total £m		Council Tax £m	Business Rates £m	Total £m
	Amounts required to be credited to the Collection Fund			
137.2	Council Tax	144.7	-	**144.7**
19.7	Business Rates Income	-	33.6	**33.6**
0.2	Transitional Protection Payments Receivable	-	0.4	**0.4**
	Contribution towards previous year's Deficit			
-	Central Government	-	12.9	**12.9**
-	Hereford and Worcester Fire Authority	-	0.3	**0.3**
-	West Mercia Police	-	-	**-**
-	Herefordshire Council	0.2	12.6	**12.8**
157.1	**Total**	**144.9**	**59.8**	**204.7**
	Amounts required to be debited from the Collection Fund			
	Precepts, Demands and Shares			
23.3	Central Government	-	23.1	**23.1**
6.5	Hereford and Worcester Fire Authority	6.0	0.5	**6.5**
132.7	Herefordshire Council	112.9	22.7	**135.6**
4.9	Parish and Town Councils	4.9	-	**4.9**
15.7	West Mercia Police	16.4	-	**16.4**
	Contribution towards previous year's Surplus			
0.4	Central Government	-	-	**-**
0.1	Hereford and Worcester Fire Authority	-	-	**-**
1.8	Herefordshire Council	-	-	**-**
0.2	West Mercia Police	-	-	**-**
	Charges to Collection Fund			
0.3	Cost of collection Allowance	-	0.3	**0.3**
0.2	Write offs of uncollectable debt	0.1	0.1	**0.2**
2.0	Increase/(decrease) of Bad Debt Provision	0.4	0.5	**0.9**
1.4	Changes in Provision for Appeals	-	(4.5)	**(4.5)**
0.3	Other transfers to General Fund	-	0.6	**0.6**
189.8	**Total**	**140.7**	**43.3**	**184.0**
(32.7)	**Surplus/(Deficit) for the Year**	**4.2**	**16.5**	**20.7**
5.4	**Balance brought forward**	**(0.2)**	**(27.1)**	**(27.3)**
(27.3)	**Balance carried forward**	**4.0**	**(10.6)**	**(6.6)**

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 2021/22 was 51.2p

Non - Domestic Rates Income	2021/22 £m
Annual Debit	67.0
Less	
Empty Allowances	(1.8)
Transitional Relief	(0.6)
Discretionary Relief	(0.6)
Mandatory Relief	(5.1)
Small Business Rate Relief	(9.8)
Funded Reliefs	(15.3)
Enterprise Zone Relief	(0.2)
Total	**33.6**

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford & 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 2021/22 was £2,051.61 including fire, police and parish precepts, with a range of between £1,980.17 and £2,154.22. The council tax base used for setting the council tax in 2021/22 was 68,355.22. 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	4,443.39
B	£40,001 to £52,000	7/9	10,860.51
C	£52,001 to £68,000	8/9	12,143.47
D	£68,001 to £88,000	9/9	11,664.71
E	£88,001 to £120,000	11/9	13,308.03
F	£120,001 to £160,000	13/9	9,642.52
G	£160,001 to £320,000	15/9	5,672.04
H	Over £320,000	18/9	313.05
Crown			307.50
Total			**68,355.22**

Council Taxpayer Income	2021/22 £m
Council Tax debit	173.7
Banding change	3.0
Less	
Discounts	(14.0)
Exemptions	(3.9)
Council Tax Reduction	(13.9)
Disablement Relief	(0.2)
Total	**144.7**

The Collection Fund surplus or (deficit) at 31 March 2022 is split as follows:

	Council Tax £m	Business Rates £m	Total £m
Central Government	-	(5.3)	(5.3)
Hereford and Worcester Fire Authority	0.2	(0.1)	0.1
Herefordshire Council	3.3	(5.2)	(1.9)
West Mercia Police	0.5	-	0.5
Total	**4.0**	**(10.6)**	**(6.6)**

44. 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

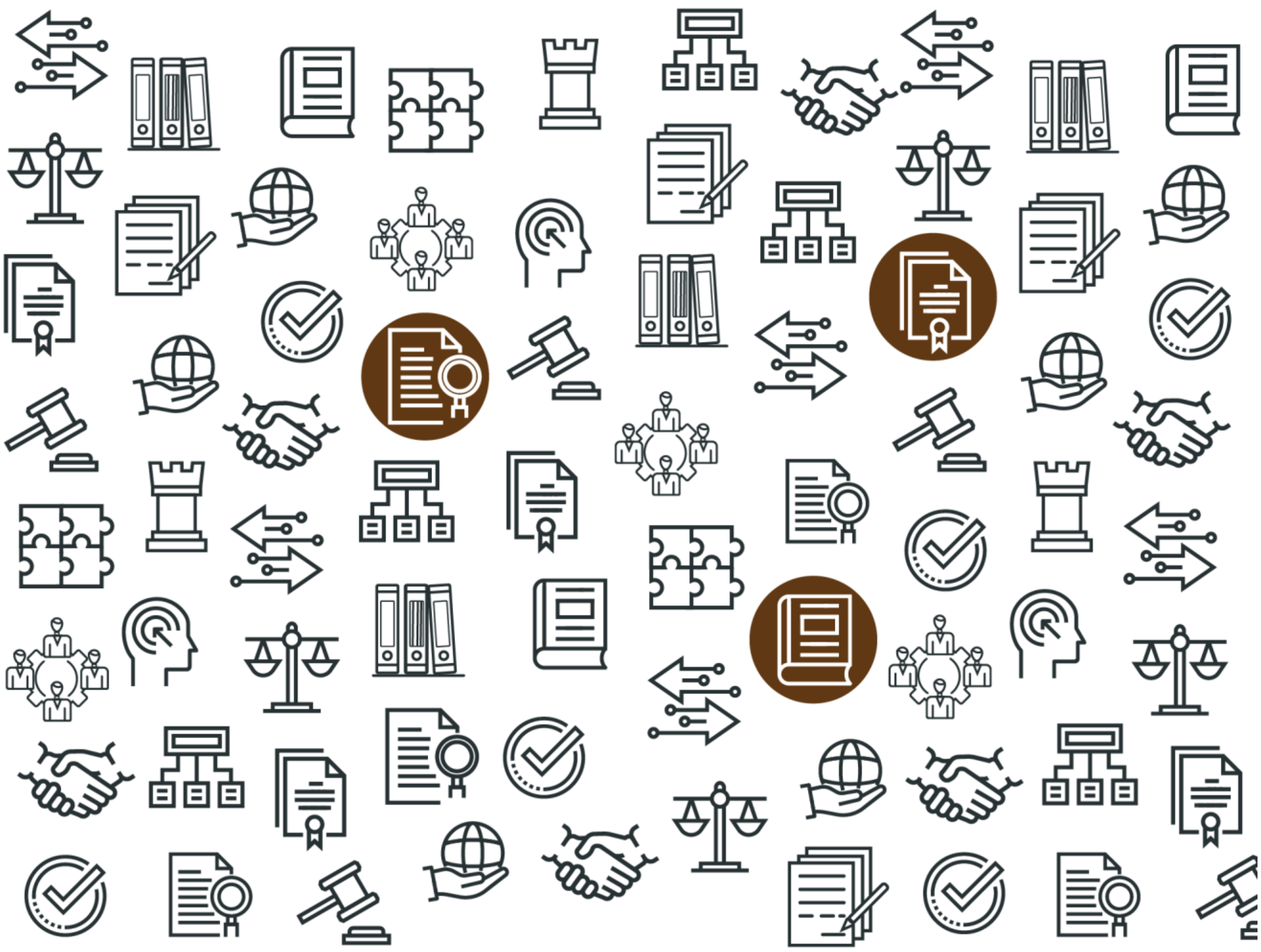
The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Soft loan

A loan at less than the market interest rate.

Herefordshire Council

Annual Governance Statement 2021/22



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The Annual Governance Statement 2021/22

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 explains how the council has discharged its governance responsibilities during the period from 1 April 2021 to 31 March 2022 and documents the planned improvements for 2022/23 and beyond.

There have been many changes within the council during 2021/22 financial year.
The council continued to respond to Covid in two main ways. Firstly, by addressing the impact on the health of residents through work of testing, tracing and supporting health colleagues with the vaccine programme, and supporting care homes to be safe. Secondly, through the recovery programme delivering economic incentives and addressing the hardship faced by residents as part of the continuing impact of Covid and other national and global factors.
Financial services supported hundreds of residents and businesses through the distribution of Covid grants, with a balance to be struck between funding being released swiftly and ensuring claims are not fraudulent. Covid grants were subject to internal audits and the council's own Fraud Service was active in this area supported by an intensive programme of preventative and prosecution activity.
The new Chief Executive, appointed in May 2021, led a significant restructure, recruiting to new Corporate Director roles, and introducing a new set of council values. The workforce adapted to remote working and the introduction of hybrid working styles reduced the council's reliance on recruiting locally-based staff
The council's constitution has had a root and branch review by a cross party group of members. This will be implemented during the course of 2022/23 with key changes to the scrutiny function and operation.
Value for money continued to be an area of focus for the council in the guardianship of public funds, including the management of the Balfour Beatty Living Places (BBLP) and other long-term contracts and improving the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
Hoople Limited is a joint venture subsidiary, established in April 2011 to deliver business support services to clients across the public and private sector. During the period from 1 April 2021 to 31 March 2022, Hoople Limited was wholly owned by the council and Wye Valley NHS Trust; the council being the majority shareholder. Hoople Limited is managed through a service level agreement (SLA) which is reviewed and updated annually. This SLA includes performance indicators which are monitored by individual service managers to ensure that services are delivered in line with the agreed contract.
To ensure sustainable improved outcomes for children, Cabinet agreed an Improvement Plan in October 2021 with resources allocated to deliver urgent changes in children's social care; addressing immediate areas for improvement and supporting long-term investment in prevention services.
In the period since the reporting date of 31 March 2022, the council's children's services have been subject to further inspection. The results of this inspection are noted below:
In July 2022, an inspection of children's services was carried out by Ofsted and the results were published in September 2022. The review of the council's arrangements for children in need and children subject to a child protection plan considered a wide range of evidence including: interviews with staff, discussions with senior leaders, case discussions with social workers and team managers and performance management and quality assurance arrangements. Whilst the review acknowledged the impact of significant changes in the leadership team for children's services and the financial commitment of the council, three areas for priority action were identified:

- Address inconsistent and variable social work practice to ensure that children are the focus of assessments, planning and interventions
- The frequency and effectiveness of case supervision and the monitoring of children who are subject to child in need and child protection planning
- Shortfalls in case-holding capacity for social workers, including newly qualified social workers, to allow them to respond effectively to children in need of help and protection

Activity to address these priority areas has been identified in the Children's Improvement Plan. The delivery of the plan is monitored through the Improvement Board, independently chaired by a Department of Education Advisor to ensure that sustainable improvements are made. Following the publication of the Ofsted report, the council will continue to work closely with the Children's Commissioner, and strategic partners, to implement changes in response to the findings of the inspection.

1. 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 at all times in the public interest. 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:
- ✓ 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.
- ✓ Making the right decisions for the right reasons through leadership and management.
- ✓ Continuous improvement through understanding and managing risk and performance.

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, highlighted as "continuous improvement".

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.

2. Scope of responsibility and governance framework

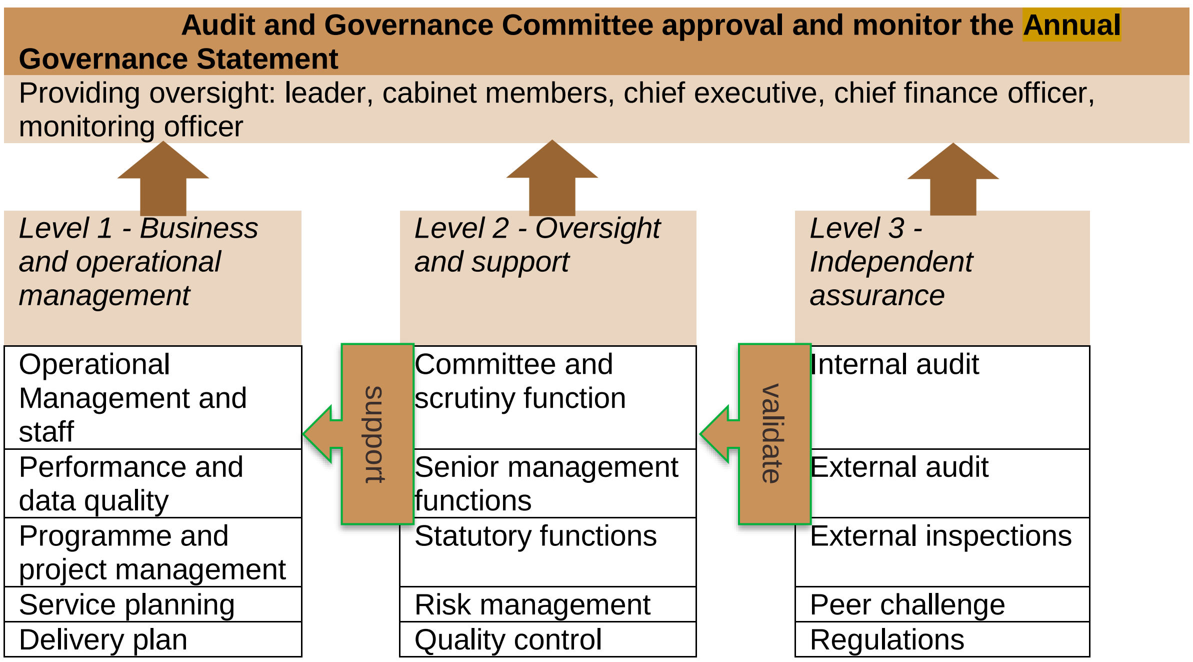
Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for whilst being used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to continually review and improve the way it works. The council's constitution is a key document that details how the council makes its decisions, who has responsibility and the procedures it follows. The constitution was reviewed in 2021-22 as part of the programme of “Rethinking Governance”.

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 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:



3. Preparing the Statement

The AGS is presented jointly by the Director of Resources and Assurance (who has the statutory role of Chief Finance Officer Section 151 officer), and the Director of Law and Governance (who has the statutory role of monitoring officer).

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
- Directors and statutory officers' declarations
- Significant partnerships' governance risk assessments considered by Directors
- Internal audit reports and opinions
- 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 and the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016. The council aims to achieve good standards of governance by adhering to the seven core principles below.

4. The Statement

The results of the annual review of the effectiveness of the council's governance arrangements during 2021/22 are set out in the paragraphs below to demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework and to note the areas where it is recognised that governance arrangements could be further strengthened.

Principle A

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

The council has undergone a major review of its governance arrangements based on a council resolution of 11 October 2019. A cross party group of members have been involved in reviewing elements of the constitution with the updated arrangements presented to Full Council on 4th March 2022 with changes effective from 20 May 2022. The main changes are based on:

- Reorganisation of scrutiny committee functions into 5 committees (see below).
- An annual effectiveness review of committees presented to the annual council meeting.
- Cabinet is provided the ability to hold Question and Answer meetings.
- Clarity has been given to the planning committee rules including redirection and a time allocation for ward member speaking.
- The Employment Panel functions relating to disciplinary and grievance meetings have been set out.
- Questions at meetings criteria has been changed.

The new committee structure will consist of:

- Scrutiny Management Board
- Environment & Sustainability Scrutiny Committee
- Connected Communities Scrutiny Committee
- Children & Young People Scrutiny Committee

- Health, Care & Wellbeing Scrutiny Committee

The council's equality policy is designed to demonstrate our commitment to equality, and evidence how it complies with the Equality Act 2010. It makes reference to the inequalities highlighted by the Covid-19 pandemic, and declares the council's solidarity with people who are protesting against racism.

The council has also made commitment to Modern Slavery through a published statement updated each year contained with dedicated webpages.

The council has a Procurement and Commissioning Strategy with all members consulted on its update due for 2022. As part the council's purchasing power it has implemented its approach and increased social value through contracts, with a new measurement framework agreed 10 September 2021. Revised thresholds will be linked to the changes implemented in 30 March 2022 as part the Public Contracts Regulations 2015.

As part of the General Data Protection Regulation (GDPR) the council will report data breaches. The council encourages the reporting of data breaches even if considered minor because it can learn from incidents and register a pattern. From April 2021 to March 2022 6 breaches were reported to the Information Commissioners Office. Their findings are published for each council – link.

The governance arrangements, as identified above, have been effective in the period from 1 April 2021 to 31 March 2022. Areas where it is recognised that governance arrangements could be further strengthened are noted in the table below. The implementation of identified improvement actions and their operation during the year will form part of the council's next annual review.

Principle A: Continuous improvement

	Action	Council Leadership Team
a.1	Promote the changes in the constitution to officers and members, along with raising awareness with the public regarding changes and approach to questions.	Director of Law and Governance
a.2	Review the remaining element of the constitution in liaison with the working group.	Director of Law and Governance
a.3	Progress update of the Procurement and Commissioning Strategy (action brought forward).	Director of Resources and Assurance

Principle B

Ensuring openness and comprehensive stakeholder engagement

Based on the response to a unanimous vote of Full Council on 12 July 2019 the council introduced a new way of engaging with the public through the first Citizens Climate Assembly. The final 41 participants addressed the question 'How should Herefordshire meet the challenges of climate change?' which was considered over 2 weeks and 2 evenings in January 2022. The sessions included a range of expertise and experience from a local, national and even international level - this allowed the assembly members to work with their facilitators to make informed recommendations that were accepted by cabinet on 24 February 2022.

Sortition Foundation also supported the assembly by independently selecting participants. This was based on randomly selecting 14,400 addresses across Herefordshire (based on 300 addresses for every one of the needed assembly members). From this invite 520 people signed up as potential assembly members who were then asked to share information (including view of climate change) to ensure representation from which an algorithm was used to reach the final participants. A detailed report of the recruitment process can be found at the following weblink.

The council also engages stakeholders in a range of consultation using a variety of methods although face to face engagement has been restricted during the year because of Covid. The council has dedicated webpages for consultations. Feedback from events, surveys and consultations help to inform the council's improvement plans, input to the design of future services and shape the ambitions as set out in the County plan. In 2021/22 consultations and surveys conducted included: Draft Local Housing Strategy consultation, Childcare survey, Draft Minerals and Local Waste Plan Pre-submission consultation, Domestic abuse strategy consultation, 2022/23 Budget consultation, Bus service improvement plan survey and Adult day services engagement.

The Working & Wellbeing Survey conducted in 2021, invited employees to provide feedback on working from home arrangements and general wellbeing and the results of this engagement have been used to drive improvements in staff communications and support. An Employee Survey is conducted every two years to identify, develop and prioritise initiatives to support staff. The council has responded to feedback from the last employee survey by revising the performance development planning cycle, implementing Bullying & Harassment Advisors, supporting more flexible and agile working and implementing mental health awareness training.

The council has processes in place to make a complaint and to ensure complaints are investigated appropriately. Between April 2021 and March 2022 the council dealt internally with 641 complaints, of which 12% were upheld or partially upheld. In addition, 23 complaints were processed under the statutory children's complaints procedure for children's social care. From the latest annual review (1 April 2020 to 31 March 2021) three cases were upheld by the Local Government and Social Care Ombudsman (LGSCO) - view from LGSCO website.

The council has maintained similar levels of Subject Access Requests (SARs) between 2020/21 and 2021/22 – the council is legally obliged to provide information held on an individual and this can date back a considerable number of years, take significant time to process and of a sensitive nature. The Information Governance Team and children's services are working together to take a more proactive approach in sharing the information in a sensitive way without the need for a SAR.

The Freedom of Information (FOI) Act 2000 gives the right to recorded information held by public authorities, with the Environmental Information Regulations (EIR) 2004 providing the same right of access for recorded 'environmental' information. This includes printed documents, computer files, letters, emails, photographs, audio and video recordings. There were 850 Freedom of Information requests for 2021/22 compared with 738 for 2020/21. The purchase of a new software system during the year has made it easier to produce a disclosure log on the website and an accompanying Disclosure Policy was published.

Items	2020-21	2021-22
Freedom of Information Requests	738	850
Environmental Information Regulations	78	79
Subject Access Requests	151	135

The council has a Partnership Governance Framework which was due for review in 2021/22 but this did not take place. However, an update of the process for registering significant partnerships did take place and for the first time Audit and Governance Committee was sighted on all the completed self-assessment forms. A SWAP audit also took place and is in the process of reviewing all the completed checklists. A register of the partnerships is held on the council website.

The council has procured a new programme that will support customer queries in a more co-ordinated way. The 'MyAccount' feature on the website will enable residents to have their own digital account with a register to track correspondence. The council will complete a Customer

Services and Digital Strategy during 2022/23 supported by an updated IT Strategy as part of the Chief Executive's wider transformation programme.

The governance arrangements, as identified above, have been effective in the period from 1 April 2021 to 31 March 2022. Areas where it is recognised that governance arrangements could be further strengthened are noted in the table below. The implementation of identified improvement actions and their operation during the year will form part of the council's next annual review.

Principle B: Continuous improvement

	Action	Council Leadership Team
b.1	Produce an Engagement Plan based on a review of lessons learnt from the Citizens Climate Assembly and the effectiveness of the budget consultation	Corporate Director of Community Well Being
b.2	Produce a Customer Services and Digital Strategy	Interim Director of Strategy
b.3	Produce an updated IT Strategy	Director of Resources and Assurance
b.4	Implement revised method of Subject Access Requests	Director of Resources and Assurance
b.5	**Review Partnership Governance Framework in light of the governance risk and resilience framework (action brought forward).**	Director of Law and Governance

Principle C

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

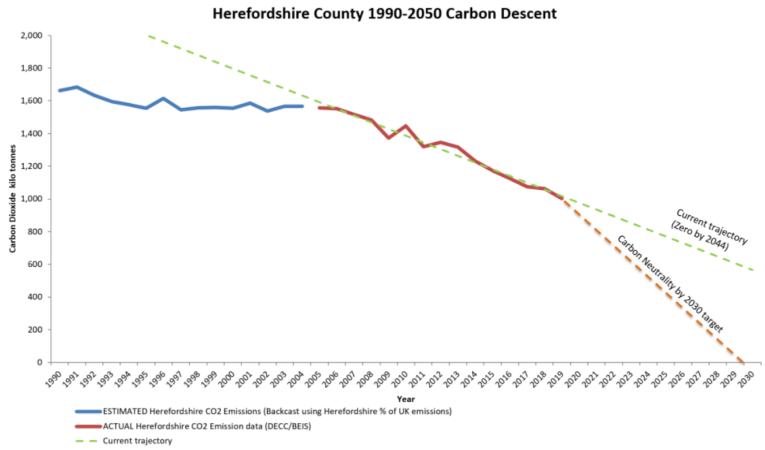
Herefordshire Council cabinet agreed the Delivery Plan for 2022-23 on 31 March 2022, in delivery of the County Plan that runs from 2020 to 2024. Performance against the actions identified to deliver the ambitions of the Plan is monitored and reported to Cabinet quarterly. Reporting identifies the lead officer, outlines progress made in the quarter against the performance measures relevant to each action and indicates the assessed risk of delivery.

There are three key objectives of the county plan that are followed through with actions in the delivery plan:
Environment: Protect and enhance our environment andkeep Herefordshire a great place to live
Community: Strengthen communities to ensure everyone lives well and safe together
Economy: Support an economy which builds on the county's strengths and resources

In recognition of the economic and social value of market investment plans (MTIPs), the council has produced a plan for each of its 5 market towns of Ross, Leominster, Ledbury, Kington and Bromyard. The development of the MTIPs highlights significant enhancement to infrastructure, public realm, shop front/ building etc. in creating the conditions for growth. Establishing a clear strategic rationale, local evidence base, and identification of prioritised projects with local stakeholders means the council is well placed to seek support through future rounds of government funding, such as the Levelling up Funds, UK Shared Prosperity Funding or Future Towns Funding. The plans can be found in the cabinet papers of 31 March 2022.

For investment in Hereford, £22.4 million has been awarded from the Government's Towns Fund for projects that support post-covid recovery and enhance economic growth through creating new jobs and helping to train local people. All business cases for shortlisted projects are to be complete by June 2022. The programme is being delivered through a Towns Fund board (called the [#StrongerHereford board](#)) of which Herefordshire Council is a key partner and the accountable body.

Herefordshire Climate and Nature Partnership was another key partnership established in 2021-22. It was established to drive and coordinate achieving zero carbon in the county by 2030. These actions have been grouped into a series of six different action plans including: Housing and Buildings; Transport; Energy; Farming and Land Use; Waste and Food. The details of the six themed action plans are set out in the dedicated [website](#). Herefordshire Council itself is on target to meet net zero by 2044 as the diagram illustrates.



The governance arrangements, as identified above, have been effective in the period from 1 April 2021 to 31 March 2022. Areas where it is recognised that governance arrangements could be further strengthened are noted in the table below. The implementation of identified improvement actions and their operation during the year will form part of the council's next annual review.

Principle C: Continuous improvement

	Actions	Council Leadership Team
c.1	Submit Stronger Towns Bids by June 2022	Corporate Director of Economy and Environment
c.2	Produce a new Economic Strategy for the county	Corporate Director of Economy and Environment
c.3	Progress actions from the Citizens Climate Assembly	Corporate Director of Economy and Environment

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

The key area of improvement for the council is social care within the Children and Families Directorate. This is in response to Mr Justice Keehan who delivered a [Judgement](#) that identified serious failings in Herefordshire Council's children's services. Full Council on [27 April 2021](#) unanimously supported the establishment of an Improvement Board as part of the assurance and improvement strategy, and on 18 May 2021 the Department for Education issued the Council with a non-statutory improvement notice. A Focused Visit by Ofsted in [July 2021](#) identified shortfalls in the capacity of social workers, an inconsistency of social work practice, and insufficient management oversight and supervision. The previous inspection by Ofsted in [2018](#) had raised similar concerns and criticism of the lack of pace of improvement was identified.

Cabinet of [28 October 2021](#) endorsed the Children and Families Strategic Improvement Plan v1.0 and the council agreed a £5.2m investment to address the immediate issues raised in the High Court Judgement. The investment has led to reduced caseloads (particularly in the assessment teams), increased levels of personal and case supervisions, and increased frequency of visits to children and young people and their families. A requirement for further investment of £11.49m for 2022-23 and future funds for 2023-24 was outlined to cabinet members on [31 March 2022](#).

An independent audit project assessed in excess of 1,000 cases and whilst none of the audits raised serious safeguarding concerns requiring immediate action, the majority of cases audited were deemed as being Inadequate or Requiring Improvement.

Core transformation of the service is planned and is aimed at:
- Improving outcomes for children, young people and their families.
- Making working in Herefordshire an attractive and rewarding career choice.
- Embedding systemic partnership approaches and exploring alternative models of delivery.

Another major area of development is modernisation of council services led through the Customer Services and Digital Strategy in 22/23 This links closely to advances in IT, use of data and how the council uses its property in response to remote working and wider asset plans. The production of an estate strategy was planned for last year and this action has been brought forward. It was delayed to allow time to understand the different requirements of services as part of the move to hybrid working, which comes into force in 22/23 as the Flexible Futures programme

The council publishes its plans and strategies. These have been updated and reviewed this year, but more work is to be done in 22/23 on bringing these together with a golden thread from county plan to service plans and decision-making. Another action to be brought forward is the production of an external funding strategy. Though this is not a statutory requirement, it will be useful in outlining the council's criteria for sourcing funding, support for communities and economic schemes, and accepting liabilities such as acting as accountable body.

The governance arrangements, as identified above, have been effective in the period from 1 April 2021 to 31 March 2022. Areas where it is recognised that governance arrangements could be further strengthened are noted in the table below. The implementation of identified improvement actions and their operation during the year will form part of the council's next annual review.

Principle D: Continuous improvement

	Actions	Council Leadership Team
d.1	Update Children Services Improvement Plan	Corporate Director of Children and Young People
d.2	Update IT Strategy and supporting Technology Strategy to be produced	Director of Resources and Assurance
d.3	Corporate Asset Review to be produced for covering future use of council properties	Director of Resources and Assurance
d.4	External funding strategy to be produced (action brought forward)	Director of Resources and Assurance
d.5	To instigate a pipeline of policies and strategies linked to governance decision making (action brought forward)	Director of Resources and Assurance
d.6	Produce the Estates Strategy for the use of council buildings reflective of service needs based on hybrid working (action brought forward)	Director of Resources and Assurance

Principle E

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

The Chief Executive conducted a restructure of the senior leadership team during the year with the new Corporate Leadership Team designed to lead, develop and model a corporate, one Council culture and way of working. Permanent appointments have been made to new Corporate Director roles for Economy and Environment, Children and Families, and Community Well-Being. The list of senior management can be found on the council website. There has also been a change of Monitoring Officer / Solicitor to the Council with a two-year fixed-term appointment made.

To support the change required in Children and Young People Directorate there has been a number of interim and agency staff, though again the council is working to create permanency which is a key element of the Strategic Improvement Plan in 'developing a skilled and stable workforce'. Children and Young People Scrutiny Committee on the 22 February 2022 received a comprehensive set of workforce information. As of 29 January 2022 five temporary teams have been brought in to provide additional capacity for the improvement activity with a further 2 temporary Assessment teams. There remains an issue of recruitment and retention, with almost half of social worker employees in the Children and Young People Directorate having been employed by the council for under 2 years (49.12%). Key points are:

- Social workers continue to feature on the UK national shortage occupations list.
- Difficulty attracting experienced social workers.
- Regional recruitment challenges (permanent and agency) due to Herefordshire's location on the fringes of the West Midlands, bordering Wales and Gloucestershire.
- Reliance on agency workers to cover vacancies (including management roles) and the resulting impact on stability of the workforce.
- Impact of recent national, high-profile child protection cases resulting in increased referrals which compounds the workforce issues we are already experiencing.

How the council operates as a workforce has changed significantly since Covid lockdowns, demonstrating that remote working is viable and cost effective in reducing spend on office accommodation. Included in part of the Flexible Futures is a workstream element that will confirm permanent arrangements for opportunities for remote working.

As a result of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, all public sector employers (with 250 or more employees) are required to publish annual information about the difference between pay for male and female employees. The current gender pay gap for Herefordshire Council is 13.9% (on the snapshot date of 31 March 2021). That means for every £1 earned by a male employee, a female employee earns 86p. The gender pay gap in Herefordshire Council has increased since 2020, when it was 8.2% detailed statistics can be found within the equality analysis of our workforce.

Mandatory Training subject	Complete by workforce
Information Governance	92%
Information Security	91%
Prevent	92%
Code of Conduct	93%

The council has a programme of mandatory training with subjects that are essential to the council. However, as figures show not all employees are completing the training which could be a compliance or data issue.

The council has revised its recruitment profile based on the "Spirit of Herefordshire" and is in the process of commissioning a new IT system for recruitment. 2022/23 will see action from last year's annual governance statement implemented regarding policies and training.

Training includes members in specific subject areas along with working with officers. Actions also include promotion of being a council member in the run up to election in May 2023.

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Principle E: Continuous improvement

	Actions	Council Leadership Team
e.1	Address compliance of staff not completing mandatory training	Director of HR and OD

e.2	Revise recruitment policy; publication of the ex-offenders policy; review market forces guidance to ensure fit for purpose (action brought forward)	Director of HR and OD
e.3	New recruitment software installed to manage vacancies across the council	Director of HR and OD
e.4	Action plan to address gender pay gap and equality issues highlighted in the equality analysis data	Director of HR and OD
e.5	Promotion of becoming a council member including flexibility with increased virtual meetings (action brought forward)	Director of Law and Governance (Monitoring Officer)
e.6	Deliver officer and member training and specific member development training (action brought forward)	Director of Law and Governance (Monitoring Officer)

Principle F

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

Herefordshire Council has adopted a performance framework and produces comprehensive performance and finance reports each quarter to cabinet with published papers. The framework outlines the process of risk assurance based on corporate, directorate and service risk. Audit and Governance Committee will consider the corporate risk register – and whilst the council is effective in understanding operational risks, an overview of strategic risk would be helpful to understand external pressures on the council. Brought forward as an action from last year is embedding a risk culture in the organisation, which has gone some way but with new influx of staff it is important to reinforce the message.

The council has introduced PowerBI reporting for management board, supporting ease of access for tracking information, more efficient data recording and more use of live information. It would be useful for this system to be used for cabinet reports and subsequent published data for ease of access by the public. This is part of an action brought forward from last year.

A service planning tool (Verto) is now available for teams to use to record actions and support improvements in performance monitoring and risk management of projects. The full scope of its application will be realised in 2022/23 and will remain under review to ensure that it adds value across the organisation, ensuring effective monitoring of identified actions and planned improvements via an integrated solution.

Covid 19 Business Grants - FEN {Fraud, Error, Non-compliance}	2020/2021
Total value of grants paid to all businesses	£103,990,160
Total number of cases investigated by the CFS	341 cases
Total value of clawbacks raised	£1,199,046
Total value claimed, but prevented before payment	£522,000
Total value paid, recovered	£699,722
Total value of grants paid, pending recovery	£499,324
Total value of pending recovery, on repayment plans	£149,102
Total FEN Detected	**£1,721,046 (1.7%)**

On 28 June 2021 Audit and Governance Committee approved the update of the Counter Fraud and Corruption Strategy 2021-2024. A great deal of work has been conducted in this area in the last year related to Covid 19 grants which was presented to Audit and Governance Committee via an annual report on 25 January 2022.
A new and bespoke 'Fraud Awareness and Prevention 2021' e-learning module was created in November 2021 which will assist in further educating employees across the organisation on how to understand, identify and report allegations of fraud. Also the council's parking enforcement team led on 12 prosecutions in 2021 against Blue Badge (disabled parking) fraud and misuse - link.
In March 2022 the council published a Value for Money Strategy. Cabinet in 29 July 2021 received a major contract performance update including summary of investigation into the Hereford City Centre Transport Package (HCCTP), and recommendations of establishing a Major Contract Improvement Board, with an Improvement Plan agreed on 1 March 2022. As part of the

investigation it was found that BBLP operated as a dormant company though financially operated under a parent company.

One of the issues concerned with HCCTP was the consideration of the capital expenditure and ensuring enough spend to complete the business case and objective of the programme. This has been addressed with a new capital spend cycle with actual costs to prepare capital submission and the establishment of the Programme Management Office has supported the scheme. At 31 March 2022, actual spend was at c86% of budget.

A settlement agreement was made in August 2021 with a member of staff leaving the organisation (this followed two settlement agreements in 2020/21) – one which was agreed by the employment panel on 9 September 2020 (though exempt from the public record). The remaining 2020/21 and the 2021/22 settlements were not presented to Employment Panel and considered an operational decision. The governance for settlement agreements needs to be reviewed and confirmed in policy.

In November 2021 Cabinet approved the procurement route and implementation of the new delivery proposals, processes and expenditure of up to £9.3m of S106 agreements. These agreements are legally binding obligations between Herefordshire Council (as the local planning authority) and developers to make acceptable development which would otherwise be unacceptable in planning terms – this is usually in the form of investment in infrastructure, public realm, parks, flood relief, schools, etc. The report found that there were delays in progressing schemes and potential loss of funds for communities.

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Principle F: Continuous improvement

	Actions	Council Leadership Team
f.1	Audit or review of teams using corporate service planning tool	Director of Resources and Assurance
f.2	Continue to review the application of PowerBI as a reporting tool to align corporate reporting	Director of Resources and Assurance
f.3	Regularly report progress to cabinet on the Major Contracts Board	Director of Resources and Assurance
f.4	The governance arrangements and supporting policy for settlement agreements to be reviewed to ensure transparency and evidenced decision making	Director of Law and Governance (Monitoring Officer)
f.5	Confirmation of council's contracting with parent companies when operated via a dormant company	Director of Resources and Assurance
f.6	Implementation improved and ease of access to performance information for staff, members and the public (action brought forward)	Director of Resources and Assurance
f.7	Introduction of strategic risk along with corporate and operational risk assessments embed as part of culture and practice (action brought forward)	Director of Law and Governance (Monitoring Officer)
f.8	Progress plans to ensure effective spend of s106 monies	Director of Resources and Assurance
f.9	Implement improvement plan for value for money on the public realm contract (action brought forward)	Director of Resources and Assurance
f.10	Strengthen performance monitoring arrangements for Hoople Limited to include quarterly reports to Cabinet	Director of Resources and Assurance

Principle G

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

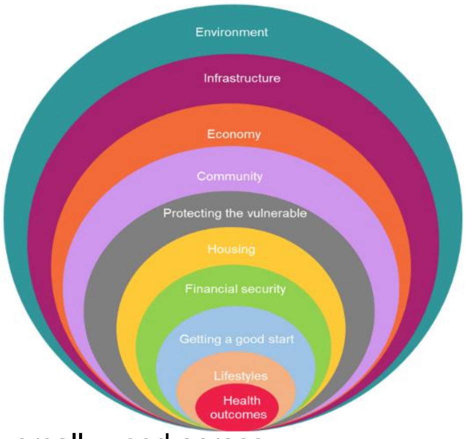
SWAP provide the council with internal audits. Their plan for audits is presented to Audit and Governance committee and present plans based on risk, known national pressures, and requests e.g. fraud on Covid grants for contract value for money. For the year ended 31 March 2022, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment.

For transparency the council includes publication of the following information:
Grants awarded by Herefordshire Council
Council land and property assets
Council expenditure over £500
Contract Register
Business Rate dataset

All council decisions are published, along with agendas and minutes. The constitution clearly sets out the accountabilities in the council including levels of decision making, though training and awareness on this would be good considering the new starters in the organisation and the loss of corporate knowledge.

The council has a system of cabinet member portfolio briefings which are used as a form of decision making, and reporting risks and performance. The terms of reference were reviewed in April 2022 but could do with a further consideration to ensure they are being implemented consistently and of benefit to members.

The council has a reporting publishing software which supports all reports to be available and a shared system for "sign-off". As an action brought forward this is to be reviewed in terms of the council maximising the capabilities.



The revised constitution (operational from May 2022) includes updated process for the public to ask questions (link).

The council produces the Joint Strategic Need Assessment (based on the theme illustrated – right), supported by Understanding Herefordshire Facts and Figures. Including Facts and Figures from the local area.

A Local Government Association review of the Strategic Intelligence Unit credits the service with the quality of information it provided, but was not universally used across the organisation to provide evidence based decisions.

Whilst the annual report on code of conduct to Audit and Governance Committee was considered in January 2022 consultation is currently open with all Herefordshire Councillors (including town and parish) on a revised code of conduct for adoption at the council's AGM in May 2022.

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Principle G: Continuous improvement

	Actions	Council Leadership Team
g.1	Training for decision-making responsibility within the officer body	Director of Law and Governance (Monitoring Officer)
g.2	Delivery of recommendations for the LGA peer review of the Strategic Intelligence Unit	Director of Resources and Assurance
g.3	A revised code of conduct for members and new arrangements for dealing with allegations that members have breached the code (action brought forward	Director of Law and Governance (Monitoring Officer)
g.4	Review portfolio briefing to ensure effectiveness and compliance (action brought forward)	Director of Law and Governance (Monitoring Officer)
g.5	Make the most of new features on Modern.gov (action brought forward)	Director of Law and Governance (Monitoring Officer)

Statement and opinion - Leader of Herefordshire Council Name: Cllr Hitchiner Title: Leader of Herefordshire Council Date: 3 February 2023
Statement and opinion – Chief Executive of Herefordshire Council Name: Paul Walker Title: Chief Executive Date: 3 February 2023