

2023/24

**Draft Annual
Financial Report and
Draft Statement of
Accounts**

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**Worcestershire County Council
Draft Annual Financial Report
2023/24**

Leader's Introduction

2023/24 was a year of significant challenge for Worcestershire County Council, as our services tackled a combination of increased demand, high inflation, and severe market pressures. Our financial controls and governance processes allowed us to identify and quantify the impact of these challenges at an early point in the financial year, and that has helped us to implement management actions to reduce our in-year overspend to £4.6m – around 1% of our net expenditure budget. This oversight of our financial pressures has allowed for a robust and collaborative budget setting process for 2024/25, ensuring that we have a budget that reflects our corporate priorities.

Outside of tackling the exceptional financial challenge, it has been a year of tremendous success and progress against the corporate plan. Highlights include:

- In May 2023, we welcomed Ofsted for a full inspection of our Children's Services and the overall effectiveness of our service was rated as 'Good', a huge achievement for the Council and a testament to the way in which we have kept our vision and values for children and families at the forefront of our work, even throughout the pandemic and increasing demand for our services.
- Commenced upgrade work – backed by £38m of funding secured from the Department for Transport – on the Bromsgrove A38. Other infrastructure projects that have progressed during the year include the Kepax Bridge, Worcester, and town improvements through the Future High Street fund.
- Completing over 80 projects of footpath resurfacing to provide good conditions for people to walk, cycle and wheel in our city and town centres, as well as in rural locations.
- Our ambitious project to upgrade 21,000 streetlights in Worcestershire was completed in August – more than a year ahead of schedule. This will contribute to a significant reduction in our carbon emissions.

- We launched 'Business Digital Worcestershire', a free-to-access resource to help Worcestershire businesses to grow their digital understanding and embed digital into their strategies.
- Utilising technology to enable our 'Libraries Unlocked' programme, which as part of our overall Library Strategy, helps residents to get the best out of their local library, including accessing outside of normal working hours.
- Restoring and refurbishing the historic 250 year-old Porters Mill canal bridge in Droitwich.
- Capital expenditure exceeding £20m on Education capacity and condition, including the brand-new Nursery extension at Bengeworth Academy, Evesham
- We saw over 2,000 children and young people take part in holiday activities over the Chrimstas period, organised by our Ready Steady Worcestershire partnership with local providers.
- Our involvement with the ONE WORD 'Network on Wheels' project which has seen rural venues and events trialling the use of O-RAN mobile technology to increase connectivity

Moving into 2024/25, we have set a budget that is predicated on delivery of a significant savings plans, as part of which we are undertaking an organisational redesign. This includes the reintegration of our now 'Good' Children's Services from Worcestershire Children First at the planned contract end date. Our challenge will be to deliver this substantial change programme whilst retaining focus on the Corporate Plan, and I am confident that we will achieve this.

Simon Geraghty

Leader of Worcestershire County Council

Chief Executive's Introduction

I wish to begin this, my sixth annual introduction to our financial statements, by thanking all staff and Councillors who have contributed to our results for 2023/24. I am immensely proud of staff for their efforts and commitment to delivering excellent services during a year of increased demand and significant financial pressures for the Council.

As Chief Executive, the wellbeing of staff is one of my top priorities, and I am delighted to see the continued engagement with initiatives such as our 'Wellbeing Weeks', Health Screen Roadshows, and our Employee Assistance Programme.

In July, we received an Employer Recognition Scheme Silver Award for our ongoing commitment to the Armed Forces Covenant. The award, which comes from the Ministry of Defence, recognises the support organisations give to the Armed Forces community, and it is a great honour for our organisation to be recognised in this way.

The Leader's Foreword covers many of the Council's outputs for our residents and businesses which have been delivered by teams through smarter ways of working; supported by investment and developments in IT systems and structures to enable effective collaboration through hybrid working models.

A 2023 survey revealed that 75% of respondents wanted Worcestershire services to be designed by Worcestershire Service Users. With this in mind, during this year we have launched our 'Building Together Forum'. The aim is to connect with residents who use our Adult Social Care Services and offer them the opportunity to join our new co-production forum – working in partnership with us to improve the way we deliver our services. We've also worked alongside our partners at Worcestershire's Learning Disability Partnership Board to launch a new Learning Disability Strategy, enhancing support for organisations and individuals across the County.

Worcestershire Children's First has continued to drive improvement of our services to Children Services across the county. This was previously recognised by the DfE through the lifting of the statutory direction in November 2021 and the early removal of the "Support and Supervision"

phase in June 2022. This year, our Children's Services welcomed Ofsted for a three-week inspection, at which the inspectors noted that "the senior leadership team in WCF has continued to work effectively with political leaders to improve outcomes for children" and that "there is a coordinated drive to continue to improve children's experiences and relationships with key partners are effective." Ofsted judged the overall effectiveness of Children's Services to be 'Good'. This is a fantastic turnaround and allows us to bring Children's Services back into WCC from WCF in 2024/25 at the natural end date of the WCF contract.

On the subject of Children's Services, I am pleased to say 99% of children received an offer from one of their top three choices for first or primary schools. Over 95% of pupils will be heading to their first school to start their important education journey in September.

In March, we published our Destination Management Plan, which is aimed at growing the county's billion-pound visitor economy. Worcestershire's tourism sector is already worth over £939 million pounds per annum and employs around 19,457 people, which is 6.8% of jobs in the county. This new Plan sets ambitious targets to increase visitor numbers and to support over 400 local hospitality businesses, which will help the sector thrive and flourish over the coming years.

The condition of our Highways is regularly flagged as a priority of our residents, and I am delighted that over 98% of our planned inspections were completed for the periods April to December.

For our officers, 2023/24 will be remembered as a year of extraordinary financial challenges, and I am proud of the hard work of my Leadership Team and all staff in identifying mitigations and driving savings programmes as we seek to provide our services in a difficult economic environment. Going forward, the Council's priorities are to deliver against the four key areas of the Corporate Plan with a balanced financial position.

Paul Robinson

Chief Executive

Chief Financial Officer's Narrative Report

Worcestershire is a County with a proud heritage. Home to nearly 600,000 people with a mix of urban and rural communities and a thriving economy.

This year has been particularly challenging for Local Government and the Council with pressures on all of our demand led areas, Adult Social Care, Children's Social Care and Home to School Transport, which were partially mitigated by underspends in other service areas and in central budgets.

The Council has played a vital role in supporting the residents and businesses of Worcestershire whilst successfully delivering the Council's objectives. The Council has continued to make arrangements to secure economy, efficiency and effectiveness in the use of resources; supporting informed decision making and managing key operational and financial risks to deliver corporate objectives and safeguard public money.

Through robust financial monitoring and prompt management action to allocate resources where pressures were identified and reduce expenditure in other areas, the Council achieved a small overspend of £4.6 million against its net £400.8 million budget (1.1%) this was after use of reserves to mitigate the in year pressures in demand led services. The following table shows the final outturn position for each Service area, comparing actual net expenditure with approved budget. This outturn position is reconciled to the figures shown in the Comprehensive Income & Expenditure Statement in Note 2: Expenditure and Funding Analysis and discussed in the following pages.

School balances overall increased by £5.0 million to a net surplus of £9.5 million. The net position comprises 29 schools in deficit (£6.5 million) and 81 schools in surplus (£16.0 million). Schools' funding remains an area of concern and the Council and Worcestershire Children First are working to support schools in achieving their financial plans as well as lobbying Central Government. The non-schools Dedicated Schools Grant (DSG) will carry forward a deficit of £43.6 million (£20.3 million deficit at 31 March 2023); this increase is largely due to unfunded SEND and High Needs demand arising from statute changes in 2014. This deficit sits as a negative unusable reserve on the balance sheet permitted via a statutory override which is in place to the end of March 2026.

Service area	Budget £m	Outturn £m	Variance £m
People – Adults	145.8	151.1	5.3
People – Communities	21.6	21.6	0.0
People – Public Health	0.2	0.2	0.0
Children's Services/WCF	90.2	105.8	15.5
Home to School Transport	20.8	29.2	8.4
Economy & Infrastructure	72.1	67.9	(4.2)
Commercial & Change	10.3	11.6	1.3
Finance / Chief Executive / HR	3.2	2.8	(0.4)
Sub Total: Services	364.2	390.1	25.9
Corporate Savings Target	0.0	0.0	0.0
Finance / Corporate Items	36.6	29.2	(7.4)
Total	400.8	419.3	18.4
<i>Additional Funding</i>			
Council Tax Income			0.3
Business Rates			(5.2)
Use of Reserves			(9.0)
Net Overspend			4.6

Financial Resilience and Sustainability

The Worcestershire Pension Fund continues to build on the successes of previous years. The most recently completed triennial actuarial valuation confirmed its 101% funding on a solvency basis. An improvement from the previous valuation funding level of 90%. This is a significant achievement considering the macroeconomic and geopolitical pressures that The Fund has faced during that time. In addition to robust financial performance, The Fund has continued to strengthen its stewardship credentials through enhanced commitment to Environment, Social and Governance (ESG) and Responsible Investment (RI) principles, working closely with external experts. As a result, The Fund successfully retained its signatory status to the UK Stewardship Code 2020 and its overall listed portfolio is now considered to be over 30% more carbon efficient than the benchmark. During the year, The Fund deepened its investments in UK Forestry assets to enhance its ESG beliefs to other areas of its portfolio too. A key area of focus for the future will be to further reduce the carbon footprint of the overall portfolio in conjunction with setting an internal decarbonisation target to 2025.

Looking forward, 2024/25 and onwards remains a very uncertain period for Local Government funding particularly with a general election taking place in July 2024. In addition to the long-awaited implementation of the fair funding review and a reset of the business rates baseline which is not underway, the current national financial pressures in respect of demand and pressures in Social Care continue to have a significant impact on the Council's medium-term financial plan.

To support financial resilience, the Council has adopted a prudent approach to the use of reserve balances and has this prudence has allowed for flexibility in 2023/24 as use of reserves mitigated in-year pressures. Earmarked Revenue Reserves have decreased by 23% from March 2023 to March 2024. We will once again review our medium-term financial plan during 2024/25, taking account of the need to support the most vulnerable individuals in society, by identifying savings and reductions in spend and increasing income to improve outcomes for the residents and businesses of Worcestershire. To meet the challenges facing the County, it is imperative that we continue to put effective financial governance and competence at the core of decision making to

deliver a strong, resilient and sustainable financial position. This strive is reflected in the Annual Governance Statement.

Finance staff continue to work closely with key stakeholders and our external auditors Grant Thornton to ensure an efficient close-down process and produce the statutory accounts within statutory deadlines, and I express my thanks for their continued hard work.

Further in-depth highlights of the 2023/24 Statement of Accounts are contained in the Finance and Performance Review section that follows.

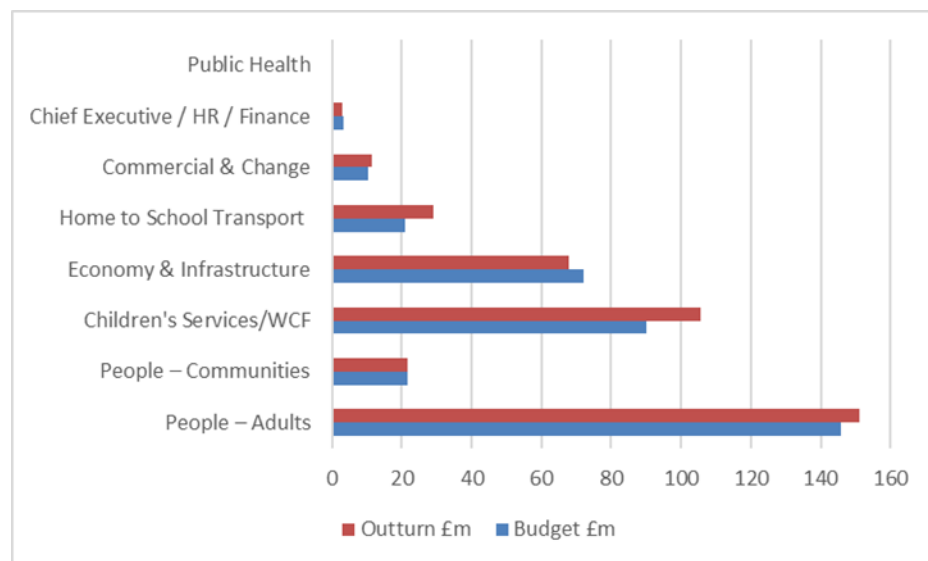
Phil Rook CPFA FCCA
Chief Financial Officer

Finance and Performance Review

2023/24 Financial performance

The County Council's net budget for 2023/24 was £400.8 million.

In line with budget monitoring throughout the year, the County Council overspent its £400.8 million budget by £4.6 million (1.1%) in 2023/24, with pressures in Adult and Children's Services, arising mainly due to inflationary pressures in care packages and transport contracts, as well as demand increases above expectations for some key services. The graph below shows the net budget performance for each Council Directorate.



The key financial and performance information for each directorate is detailed in the following paragraphs.

People Services – Adults

As reported and forecast during 2023/24 the Adult Social Care service out-turned with a net overspend of 3.6% against its £145.8 million net budget. Demand in all services has continued to increase over the year,

alongside significant inflationary pressures in the price of care packages. These pressures were partially mitigated in-year by maximising use of external funding e.g. grants, and one-off income relating to Direct Payments.

People Services – Communities

The Communities budget returned a break-even position as a result of small savings identified across several services, including identifying where grant funding can be effectively used to mitigate against using base budget.

Children's Services

The Council's Children's Services budget had a net overspend of £15.5 million (17.2%) in 2023/24. This budget mainly comprises the contract payment to the Council's wholly owned subsidiary Worcestershire Children First (WCF).

Children's social care placements demand and costs continued to increase in 2023/24, at a rate higher than projected at budget setting, and this resulted in an overspend of £16.6 million attributable to increases in both the number of placements and their costs during the year. This has been partially mitigated in-year by underspends in other areas of the service, including staffing.

Home to School Transport

In addition, there are significant national pressures in Home to School Transport relating to both increased demand and due to providers facing rising costs in both fuel and workforce, and this area of the budget overspent by £8.4 million (40.5%) in 2023/24.

Economy and Infrastructure

The directorate has delivered a small underspend of £4.2 million on its £72.1 million net budget after one-off adjustments for capitalisation. The outturn includes £0.9 million underspend in Road Lighting due to a reduction in energy costs relating to the successful roll out of LED lighting

columns. There was a £0.4 million overspend in Transport Planning due to additional costs relating to professional fees for planning applications which are not able to be capitalised along with professional fees on Development control planning advice.

Waste services delivered an underspend £3.3 million, due to one-off contract savings along with a reduction in costs of waste disposal with tonnage disposed of through landfill being less than forecast and underspends on Trade Waste.

Commercial and Change

The directorate has delivered an overspend of £1.3 million (12.3% of its net budget). The most significant variance from budget is within the property services and commercial teams following a loss of tenancy income across County Hall due to the current structural issues along with the rectification and consultancy costs associated with surveys and structural works required (£0.5 million). Alongside this additional consultancy costs have been incurred for posts which are proving difficult to recruit on a permanent basis.

Finance, HR & Chief Executive

Services within these budget headings underspent by £0.4 million. The key underspends being an underspend of £0.2 million within finance relating to holding vacant posts, £0.1 million saving within HR due to pausing an element of the Talent Management Programme, and £0.1 million use of external income and vacancy management within Content and Communications.

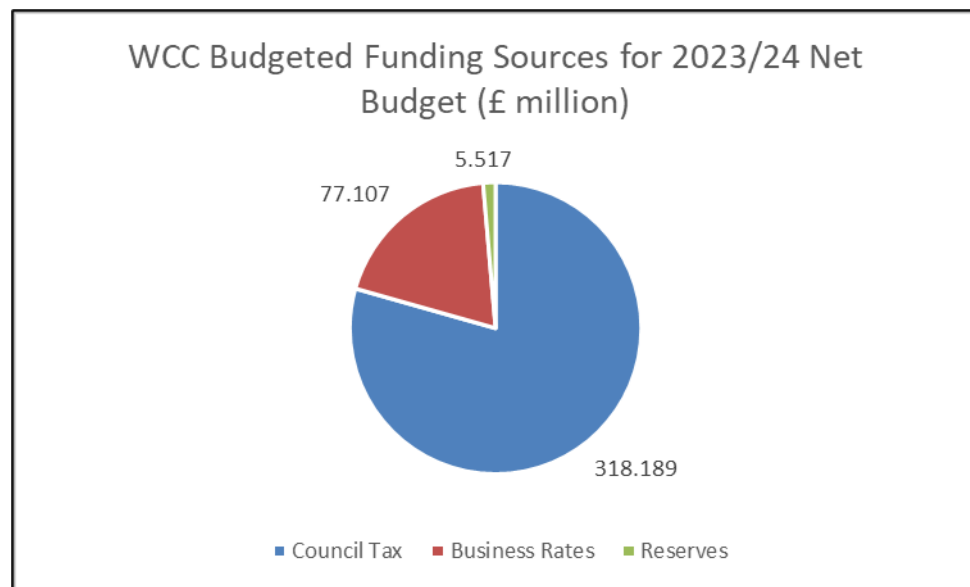
Finance / Corporate Items

In addition, below-the-line corporate items underspent by £7.4 million. The main underspend was £8.9 million due to our strategy of deferring external borrowing and due to higher interest rates during the year resulting in additional interest. This has been supplemented by a further net £1.2 million underspend of the Minimum Revenue Provision (MRP) budget following application of the revised Council's MRP policy. During the year the Council implemented a voluntary redundancy programme

resulting in over 80 staff exiting the organisation before the end of the financial year resulting in ongoing savings in the 2024/25 budget, the exit costs are included in 2023/24 financial statements.

Funding sources

The Council's core revenue expenditure was funded by a combination of locally raised funds and resources allocated from central government.



The Council Tax Band D equivalent was set at £1,465.78, which included £197.40 relating to the ring-fenced Adult Social Care precept.

Services also received funding from specific grants, contributions and fees and charges. Key grants continue to be the Improved Better Care Fund, Social Care Grants, Public Health Ring-fenced Grant and Dedicated Schools Grant.

Impact on the Council's Assets and Liabilities

The value of our property plant and equipment has increased by a net £79.9 million in 2023/24. This is made up of £82.0 million expenditure on assets, net revaluation gains of £68.5 million, £5.3 million of asset transfers. This is offset by £44.5 million of disposals, (including two schools which have converted to academy status during 2023/24 which are transferred at nil consideration), and depreciation charges of £58.0 million.

We secured £1.2 million of capital receipts from the sale of assets which have helped us manage our borrowing requirement and fund transformation. We also received £4.8m of capital loan repayments which has reduced our capital financing requirement. At the same time, we are reporting a further £1.2 million of assets held for sale.

We have continued our focus on income management and debt collection processes during 2023/24, working with strategic partners, with support from colleagues in legal services to facilitate the efficient resolution of queries in respect of debts that are over 30 days old. We report collection rates and progress on a quarterly basis to the Audit and Governance Committee. The County Council has reviewed the recoverability of debtor balances at 31 March 2024 and has applied a professional judgement to reflect any additional risk to collection.

Performance in respect of our time to pay creditors continues to be high (98% of all creditors paid within 30 days). The reported increase of our trade creditors at 31 March 2024 from £54.0m to £69.0m is mainly related to the timing of payments at the year end.

Our earmarked and other usable revenue reserves have decreased over the year by £38.6 million to £105.7 million. This reflects the impact of exceptional service demand and inflation during 2023/24.

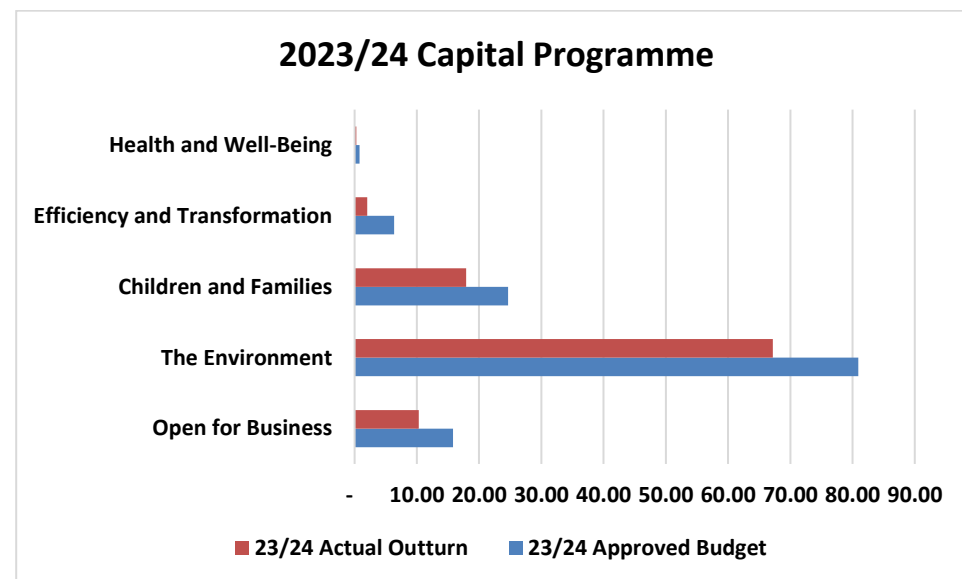
Financial risks and our reserves

Up until a few years ago the Council faced a risk due to underlying cost pressures, use of specific grants and planned use of reserves reducing our earmarked reserves. Our strong financial management is now starting to see that trend reversing. Whilst overall our earmarked reserves have dropped slightly this year, our General Fund Reserve balance at 31 March 2024 has risen slightly from the previous year, from £14.3 million to £16.1 million. The decrease in 2023/24 is a reflection of the use of reserves to meet in-year revenue pressures. Looking forward, the total revenue reserves available to mitigate risk are £44.7 million, as noted in the table below.

	Balance at 31 March 2023	Movement in-year	Balance at 31 March 2024
	£m	£m	£m
Total WCC Reserves	709.1	18.2	727.3
Unusable Reserves	473.4	11.5	484.9
General Fund Reserve	14.3	1.8	16.1
Capital Grants Unapplied	77.1	43.4	120.5
Usable Revenue Reserves	144.3	(38.6)	105.7
<i>Analysis of Usable Revenue Reserves:</i>			
Capital Receipts Reserve	0.0	0.0	0.0
School Balances	4.5	5.0	9.5
Insurance Reserves	8.4	(1.4)	7.0
Public Health Ring-fenced Grant Reserve	9.3	(2.2)	7.1
Other Grant Reserves	33.5	(17.2)	16.3
WLEP Reserves	2.2	0.4	2.6
PFI Reserves	1.5	(1.5)	0.0
Future Capital Investment Reserve	4.9	(4.9)	0.0
Earmarked for E&I specific use	13.0	(8.3)	4.7
Open for Business Reserves	13.4	(1.3)	12.1
Election Reserve and Councillors Divisional Funds	1.6	0.1	1.7
Revenue Reserves available to mitigate risk	52.0	(7.3)	44.7
Total Usable Reserves	144.3	(38.6)	105.7

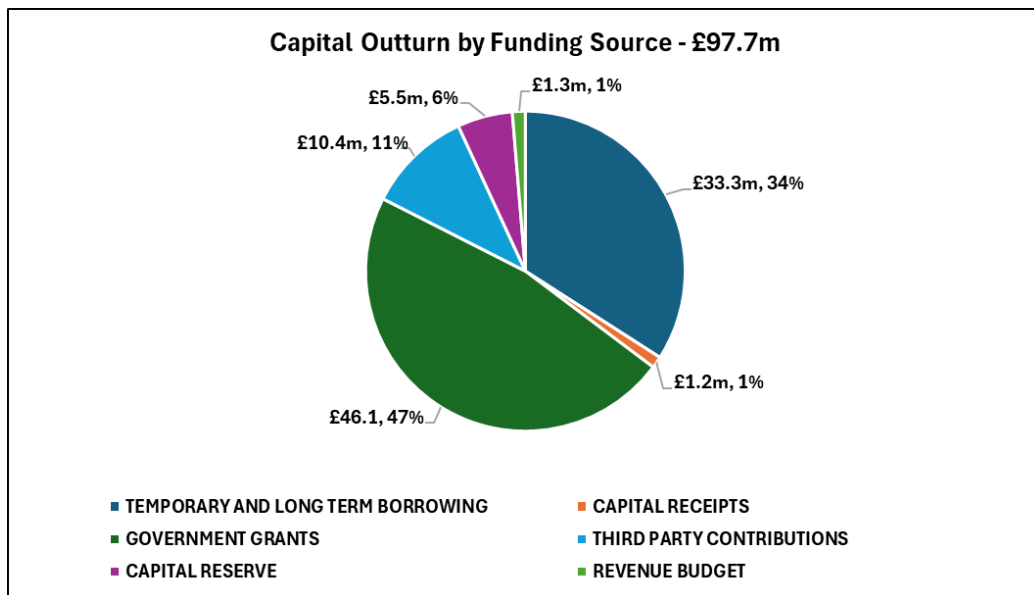
Capital Programme

The latest capital programme approved by Full Council in February 2024 for 2023/24 and beyond totals £390.0 million, with £128.5 profiled for 2023/24. Total outturn on the programme for 2023/24 was £97.7 million. Expenditure is most significant in the areas relating to the corporate priorities of The Environment, & Children and Families.



Schemes with the most significant financial spend in year include the Structural Carriageway/Bridgeworks programme, the Pavement Improvement Programme & Structural Maintenance on Core Footways, continuing work on the Kepax Bridge, and major works on Wolverley High School.

Funding for capital schemes comes mainly from Government grants, usually for specific developments, and borrowing, as shown in the following pie chart:



Impact on Treasury Management and cash flow

Our short-term borrowing has increased by £36.5 million whilst our long-term borrowing has decreased by £16.6 million. This is in line with our Treasury Management Strategy. All of our Treasury Management activities are reported separately and regularly to Cabinet and Council. All transactions have been completed in accordance with our Treasury Management Strategy for the year.

Delivering the Corporate Plan

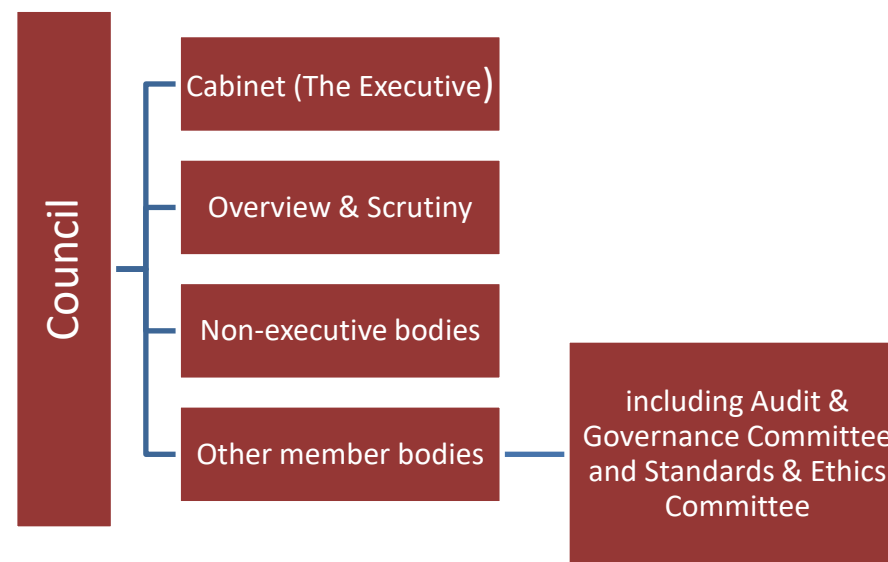
The Council's 2022-27 Corporate Plan – Shaping Worcestershire's Future, continues to build on progress made in recent years and maintains its emphasis on the four key priorities. There is an even stronger focus on partnership working and building local capacity to empower communities to live prosperous, independent lives. The drive towards financial self-sufficiency and maximising limited resources goes on, with the County Council continuing its journey to becoming an enabling authority. Key aspects of this include:

- Expanding the Here2Help scheme, delivering enhanced access for residents and organisations to information, advice, tools and guidance, and to signpost local support options
- Improving operational and environmental sustainability, including adopting flexible and mobile working arrangements, developing local capacity and resilience to ensure the County Council only intervenes when necessary, and disposing of waste sustainably
- Prioritising investment in areas identified as important to communities and businesses such as highways and transport infrastructure, and investing heavily in Adults and Children's Social Care, maximising its impact by working to manage demand for the most costly services
- Improving digital connectivity and infrastructure, including provision of faster broadband, and embracing digital solutions for services which can speed up processes and reduce costs

Political structure

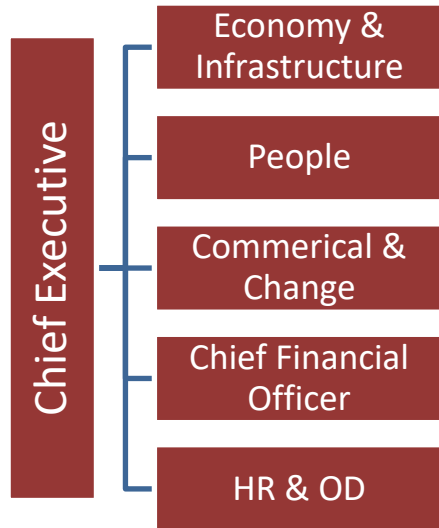
The County Council is run by 57 elected Councillors who are responsible for making sure that the services we provide meet the needs of residents and those who work in the county. They do this by setting the overall policies and strategies for the County Council and by monitoring the way in which these are implemented.

Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is responsible for most day to day Council decisions. The Leader of the Council, Simon Geraghty, appoints councillors to the Cabinet and these Cabinet members have specific areas of responsibility. There are currently nine members of Cabinet. Cabinet makes its decisions in line with overall policies, priorities and budget. All of its decisions are made in accordance with governance arrangements and details of Cabinet meetings are available on the County Council website in the County Democracy and Councillor Information section. The work of Council is supported by a number of other committees:



Further information about the County Council's governance arrangements can be found on the County Council website in the Council, Democracy and Councillor Information section and in the Annual Governance Statement which forms part of this document.

The County Council is operationally managed by the Strategic Leadership Team, comprising the Chief Executive, directors from the three directorates and the Chief Financial Officer.



Looking ahead

The 2024/25 budget was approved at Council on 15 February 2024 with the detailed proposals presented to Cabinet on 1 February 2024.

This budget and Medium-Term Financial Plan were approved taking account of the inflationary pressures the Council faces. Future funding levels remain uncertain as the Council awaits confirmation from central government of funding for 2025/26 onwards. Further delays to the long-awaited fair funding review and a reset of the business rates baseline as well as the current national financial pressures in respect of inflation and interest rates are likely to have a significant impact on the Council's medium-term financial plan.

The Council refreshed its Corporate Plan in 2022; considering an estimate of national and local economic recovery, alongside confirmation of the extent of any increased cost pressures or reductions in income.

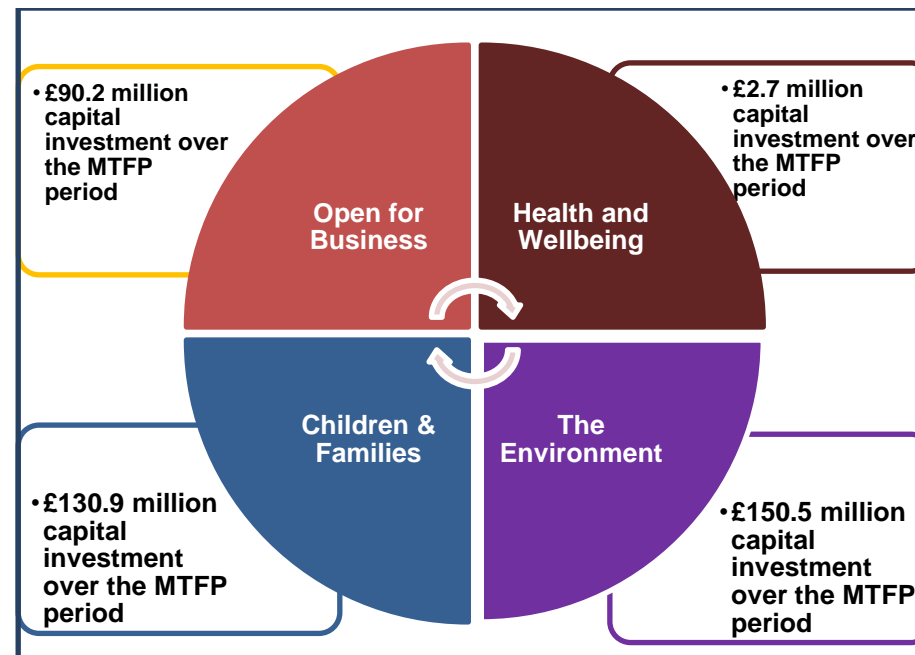
All of this means that maintaining sound and resilient Earmarked Reserves and General Fund Balance is crucial.

The paragraphs below set out details of the current budget for 2024/25.

Expenditure

The net revenue budget requirement for 2024/25 is £433.4 million. That is a net £32.6 million more than 2023/24. However, to achieve a balanced budget a programme of efficiency, reform and income proposals totalling £37.2 million were approved by Council in February 2024.

The Medium-Term Financial Plan confirms the commitment to continue to resource the Council's Corporate Plan priorities. It includes a capital programme of £390.0 million to deliver regeneration, infrastructure and other changes from 2023 to 2027 and beyond.

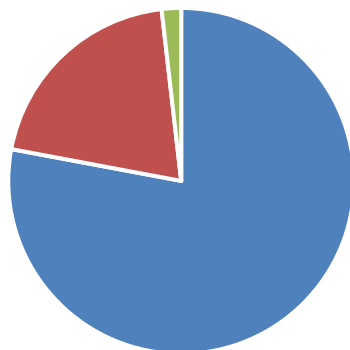


We are supporting this with a commitment to invest £15.8 million to ensure that the County Council is operating efficiently, new ways of work in a post pandemic environment, including more digitally enabled operations and closer working with our key partners.

Funding

The main sources of the County Council's income are collected locally, with local taxation through Council Tax and the Adult Social Care Precept accounting for close to 80% of core funding income in 2024/25.

WCC Net Budget Funding Sources 2024/25



■ Council Tax - £337.8m (77.9%) ■ Business Rates - £87.7m (20.2%)
■ One-off Reserves - £7.9m (1.8%)

The County Council has accounted for the activity of Worcestershire Children First through group accounts and these can be found at pages 141 to 151 in the 2023/24 Statement of Accounts.

In 2023/24, the County Council and six District Councils plus Hereford and Worcester Fire and Rescue Authority were members of a pool formed under the Business Rates Retention Scheme which resulted in a benefit to Worcestershire residents of around £4.4 million.

Medium Term Financial Plan 2024/25-2026/27

The Medium-Term Financial Plan takes account of the Corporate Plan commitment, the cost of providing our services and current central government funding announcements. Our current assumptions will need to be updated during 2024/25 in light of likely levels of Central Government funding, local taxation income and inflation.

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) which was launched on 1st October 2019 has returned a break-even position in their fourth full year of trading, as per their 2023/24 financial statements. This is after support from Council Reserves to cover the overspends discussed earlier in this narrative. The Company's contract has a natural break point during 2024/25 and it is expected that services and staff will transfer back into WCC during this financial year.

Statement of Responsibilities

This sets out the respective responsibilities of the County Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

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 County Council, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the County Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Approval of Accounts

The date that the Statement of Accounts was approved is DAY MONTH YEAR. All known material events that have occurred up to and including this date which relate to 2023/24 or before are reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts 2023/24 provides a true and fair view of the financial position of the County Council at 31 March 2024 and its income and expenditure for the year 2023/24.

Phil Rook, Chief Financial Officer

Date xxx 2024

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2015 I certify that the Audit & Governance Committee approved the Statement of Accounts 2023/24 on XX xxxxx 2024.

**Nathan Desmond, Chairman of
the Audit & Governance
Committee**

Date xxx 2024



**Worcestershire County Council
Draft Annual Governance
Statement 2023/24**

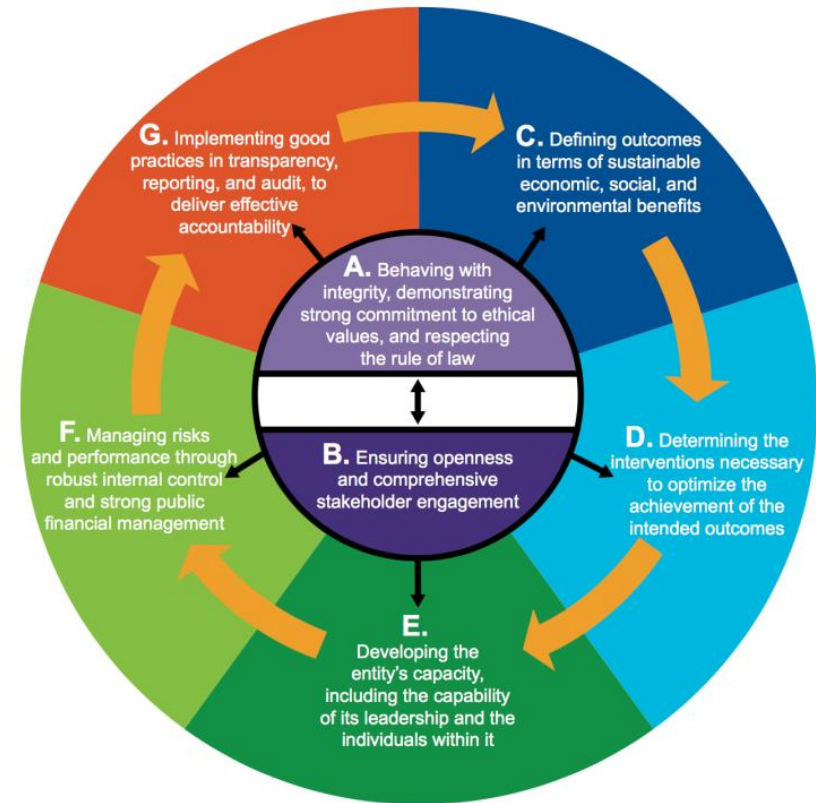
Introduction – What is Corporate Governance?

Corporate governance refers to the process by which an organisation is directed, controlled, led, and held to account. This ensures the actions taken by the organisation are seen to be reasonable and appropriate.

The purpose of the Annual Governance Statement

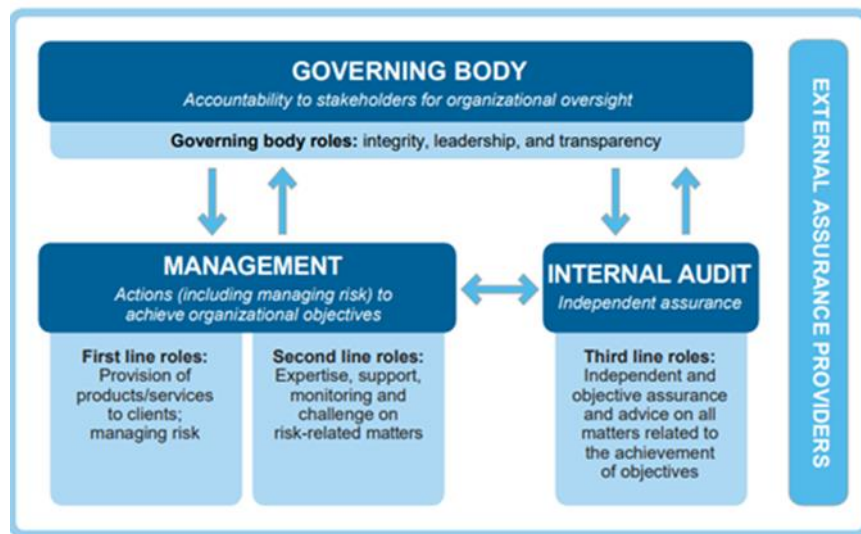
Each year the County Council is required to produce an Annual Governance Statement (AGS). The AGS is the formal mechanism used to report on the effectiveness of our internal control and decision-making systems. Our AGS complies with the reporting requirements contained in the CIPFA – Code of Practice on Local Authority Accounting and accompanies our accounts for the financial year. This is a document that describes how well our governance system has functioned during the year ended 31 March 2024. It also sets out areas for development for the year ahead.

In 2016 CIPFA published an updated version of their “Delivering Good Governance in Local Government: Framework”. The 2016 Framework sets out seven principles of good governance which are taken from the International Framework. The seven principles are shown in the following diagram.



The principles and guidance have informed the review of governance arrangements for 2023/24. More specifically, the structure of this Annual Governance Statement has been prepared with reference to themes from key elements of the structures and processes referred to in the CIPFA/SoLACE guidance.

The review of effectiveness is informed by the work of Chief Officers and senior managers with responsibility for the design and maintenance of an effective governance environment. The Three Lines of Defence Model (diagram below) is often used to show the interaction of key aspects of an organisation which need to be present to begin to achieve good governance.



It is also informed by the work of Internal Audit and the annual opinion provided by the Chief Internal Auditor. The results of the annual review of the effectiveness of the Council’s governance arrangements during 2023/24 are set out throughout this report.

Professional Behaviours

Ethics and standards are core to the corporate governance arrangements.

The County Council works to the highest ethical standards in all our activities. The County Council’s core employment policies set out the principles and standards of behaviour that promote, reinforce, and support the highest standards from everyone who works within the Council.

The independent Committee on Standards in Public Life was established by the Government in 1994 and established The ‘Nolan Principles’ (the Seven Principles of Public Life), which have applied to all holders of public office for almost 30 years. They are:

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

Integrity - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to

influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

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

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

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

Honesty - Holders of public office should be truthful.

Leadership - Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

These principles apply to anyone holding public office, which for the County Council includes elected members, council officers, and any private suppliers delivering public services.

Compliance

Constitution and Code of Conduct

The Constitution and Code of Conduct are two key governance instruments which act as a reference point for the expectations and rules about, for example, how the organisation works, who in the organisation can make decisions and on what issues and expectations of the staff.

Financial Regulations

Aligned to the Constitution and Code of Conduct are the Finance Regulations. These translate into practical guidelines and the framework for decision making on financial matters.

Sources of Assurance

Various sources of assurance are relied on to test and ensure compliance with laws and regulations, the governance arrangements and that expenditure is in line with the Financial Regulations. Examples of assurance provided by external agencies include OFSTED, the Care Quality Commission, the Office of the Information Commissioner and other Local Authority Inspectorates.

Ensuring Compliance

Good governance is about how an organisation ensures it is accountable and is doing the right things, in the right way, for the right people, in a timely, inclusive and open manner.

The Council has in place structures, systems, and internal controls by which the County Council is directed and controlled. The Council engages with the local people and communities to ensure robust public accountability through Elected Members.

Overview of Governance Framework

The governance framework outlined above has been in place throughout 2023/24 and maintained to the date of the approval of the Statement of Accounts. Key governance arrangements during 2023/24 comprised the following (full detail is provided in the County Council's Constitution).

The Council has a Leader and Cabinet executive model, with the following key responsibilities:

The Cabinet	The Leader and the Cabinet are responsible for all County Council's functions except those required by law or the Constitution to be those of full Council. Executive functions can be discharged, as delegated by the County Council's Constitution to the relevant committee, individual cabinet member or officer.
Audit & Governance Committee	The Committee oversees the audit and corporate governance arrangements of the County Council including annual audit plans and reports of internal and external auditors, the County Council's system of internal control, risk management and prevention and detection of fraud and corruption.
Overview & Scrutiny Committees	The Board's main responsibilities include commissioning work for scrutiny panels and establishing scrutiny task groups to ensure that significant issues are subject to appropriate review and scrutiny.
Standard & Ethics Committee	The Committee ensures that high standards of conduct are maintained by County Councillors and co-opted members by reference to the Council's Code of Conduct.

Functions, powers and duties are delegated to officers by the Council, Leader and Cabinet, with the following key responsibilities:

Strategic Leadership Team	The County Council's Strategic Leadership Team is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. The Team provide leadership, determine policy and uphold expected standards of behaviour.
Chief Officer Group	The Chief Officer Group has collective responsibility for overseeing the implementation of cross organisational strategy and the development and implementation of operational plans, policies, procedures and budgets prior to Senior Leadership Team and Committee approval. The Group promotes robust, fit for purpose governance across the County Council.
Head of Paid Service (the Chief Executive)	The Chief Executive is responsible for overseeing policy development and planning, corporate performance, and community leadership, alongside the effective leadership, management and performance of the Strategic Leadership Team.
Assistant Director for Legal and Governance (the Monitoring Officer)	The Monitoring Officer is responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include



	overseeing the ethical conduct of the Council and the production of associated codes, conventions and protocols.
Chief Finance Officer (the Section 151 Officer)	The Chief Financial Officer is responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial regulations, standing orders, a scheme of delegation and an independent and objective Internal Audit function.
Chief Internal Auditor	<p>The Chief Internal Auditor is responsible for ensuring effective management of a sound internal control environment of the Council, including evaluating controls and mitigations as part of a risk-based internal audit approach.</p> <p>The Head of Business Intelligence supported by COG, maintains the Corporate Risk Register, monitoring identified risks, controls and mitigating actions. Regular reporting is provided to Audit and Governance Committee. Directorate Leadership Teams monitor and review directorate risk registers and allocate resources to ensure risks management arrangements are effective</p>
External Audit	External Audit report on the Statement of Accounts and review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

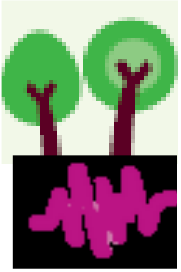
Review of Effectiveness

The review of effectiveness is informed by the work of Chief Officers and senior managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Chief Internal Auditor. The results of the annual review of the effectiveness of the Council's governance arrangements during 2023/24 are set out in the table below and demonstrate how the Council has complied with the seven principles of the CIPFA/Solace Framework.

The County Council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by processes which strengthen corporate governance. Areas for improvement are included as part of the assessment and a detailed action plan will be developed to ensure that work is undertaken to deliver these improvements. Progress against the plan will be reported to the Audit and Governance Committee on a quarterly basis.

Principle	Assessment of the effectiveness of governance arrangements during 2023/24
<p>Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations, including:</p> <ul style="list-style-type: none"> • Codes of conduct for officers and members - the Council adopted the LGA code of conduct for members at its meeting on 18 May 2023; • The inclusion of ethical values in policies and procedures for all areas; • A complaints procedure ensuring appropriate investigation and response, as well as a Whistleblowing Policy which enables employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns; • A commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010; and • Our Constitution, which sets out the conditions to ensure that all officers, key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions. • Formal recognition of the Trade Unions in our processes and change. <p>In the 2022/23 Annual Audit Report, our External Auditors commented that there was an appropriate 'tone from the top' being set in respect of decision making and behaviour from Senior Officers and Members.</p> <p>Looking forward into 2024/25, Going forward, there will be ongoing code of conduct training, and tracking of complaints to identify themes</p>

Principle	Assessment of the effectiveness of governance arrangements during 2023/24
<p>Core Principle B: Ensuring openness and comprehensive stakeholder engagement</p>	<p>Our Senior Leadership Team retain their commitment to openness and engagement with all stakeholders. The Council has sought engagement and feedback from members of the public throughout the year on a whole variety of issues, from a Malvern Hills National Landscape Survey (March 2024) to consulting on a new first school in Redditch (February 2024).</p> <p>Resident engagement is not only online. We continue our annual roadshows – in-person attendance by Members at public community events to hear from residents and communicate with residents. April 2023 also saw the launch of the Building Together forum, a new initiative to ensure that the public has a say in service design.</p> <p>In the current era of increased remote working, the potential risk to staff engagement is acknowledged and mitigated through use of technology. The Chief Executive has continued his weekly newsletter to staff to highlight prescient issues within the organisation. There are regular staff briefings held by the Chief Executive and Senior Leaders, where staff can raise questions in real-time using an anonymous online tool.</p> <p>There are strong relationships with the Council’s recognised Trade Unions and the organisation is committed to maintaining those.</p> <p>Our ‘Your Voice’ annual staff survey took place in January 2023 and has informed the workforce strategy that runs into 2024. The Workforce strategy will be refreshed in the 2024/25 financial year.</p> <p>As we move the Building Together project forward, we will develop a forum which will include a Peer Support Network, Building Together Board and a Building Together forum. The forum will work closely with other boards within Adult Social Care and look to form partnerships across the county.</p>
<p>Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>Our Corporate Plan: Shaping Worcestershire’s Future 2017-22, was refreshed in 2022 and has remained in place for 2023/24. It identifies four key priorities that help us shape the future vision for Worcestershire and focus the delivery of our services. The refreshed Corporate Plan 2022-27 continues with the Council’s priorities building on the progress made in recent years to drive improvements for the County to 2027.</p> <div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;">  </div> <div> <p>Open for Business – we have a significant programme of improvements in workforce skills, employment, infrastructure and productivity. We are aiming to become a financially self-sufficient Council and to achieve this aim we are promoting and supporting businesses in the County and those looking to relocate here.</p> </div> </div> <div style="display: flex; align-items: flex-start; margin-top: 20px;"> <div style="margin-right: 20px;">  </div> <div> <p>Children and Families – we have a strong focus on improving outcomes for the children, young people and families of Worcestershire. We support schools with achieving a good or outstanding rating by Ofsted and facilitating young people achieving five or more good GCSEs</p> </div> </div>

Principle	Assessment of the effectiveness of governance arrangements during 2023/24
	<p>and support young people moving successfully into employment. These services are delivered in conjunction with our wholly owned company, Worcestershire Children First.</p> <div data-bbox="683 406 862 678" style="text-align: center;">  </div> <p>The Environment – Worcestershire's environment is one of our key features and contributes to enhancing the quality of life for residents and visitors. We are committed to improving our infrastructure networks, including transport and digital technology to support business and encourage investment. We also have a key focus on minimising waste which goes to landfill.</p> <p>Health and Wellbeing – we are working with local partners to support our residents to be healthier, live longer, have better quality of life and remain independent for as long as possible. Our focus on adult social care aims to keep people with care and support needs as independent as possible by providing choice in how to live their lives.</p> <p>Last year, it was identified that governance arrangements around the corporate plan could be further strengthened, specifically around timely and transparent reporting on performance against the corporate plan. In 2023/24, the public-facing performance data on the County Council website has been reconfigured to reflect the corporate plan areas which provides more clarity on performance to those stakeholders interested in the corporate plan. This will continue to be refined in 2024/25.</p>
<p>Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>To demonstrate and ensure good governance around achievement of outcomes, the Council uses service-level and directorate KPIs to measure outcomes and performance at all levels of the organisation. The objectives of individual staff members (where possible) have a clear link to service plans.</p> <p>The Council has developed a Medium-Term Financial Strategy which is designed to help provide a stable financial base from which to deliver the Council's priorities. The budget setting process is member-led to ensure that the focus remains on public priorities.</p> <p>Business Continuity plans ensure the resilience of the organisation to any eventuality and to help ensure continuity of service to key customers. It has been identified in a recent Internal Audit review that business continuity plans across the organisation could be updated.</p> <p>All Cabinet papers are published online and as standard include commentary on Financial, HR and Legal implications to ensure transparency in decision-making and that the organisation continues to fulfill statutory obligations regardless of policy or service direction.</p>

Principle	Assessment of the effectiveness of governance arrangements during 2023/24
<p>Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>To deliver our objectives, we rely on our staff to carry on the great work they already do daily which is underpinned by Our People Values:</p> <p>Customer Focus - putting the customer at the heart of everything we do;</p> <p>'Can do' Culture – being proactive to achieve excellence;</p> <p>Freedom within Boundaries – courage to make constructive change.</p> <p>Our Workforce Strategy 2021 - 2024 is designed to build a workforce with personal and collective organisational resilience. The strategy is to be used by each Service area to develop their annual workforce plans, supported by their HR Operations Partners</p> <p>Mandatory learning is in place for all staff and monitored by directorate leadership teams. Our learning and development system allows managers to track the progress and attainment of their direct reports in both mandatory learning courses and other optional training courses. This allows managers to identify any potential training gaps within their teams.</p> <p>We have continued our annual Performance Review Cycle, which forms a key part of our organisational workforce planning. Employees and line managers meet regularly to plan and monitor progress against personal and organisational objectives and support employee wellbeing. Indicative ratings are recorded at mid-year review point, with formal ratings recorded at end of year performance reviews. The performance review includes a conversation around seeking future promotion and development – this is one of the tools through which the organisation can identify potential future leaders and seek to put training in place to build future capacity at that level.</p>
<p>Core Principle F: Managing risks and performance through robust internal control and strong public financial management</p>	<p>The External Auditors annual report for 2022/23 stated that there was a lack of evidence to demonstrate a robust and embedded risk management framework, underwritten by a gap in adequate reporting around risk to Audit and Governance Committee.</p> <p>In 2023/24, reporting around risk has been strengthened both in terms of process (where we have moved away from the previous risk reporting software) and frequency. Audit and Governance Committee have now had regular updates and discussions on risk throughout the year.</p> <p>Assistant Directors are responsible for assessing and reviewing risks in a timely manner and report directly into the Chief Officer Group. This data forms the basis for reports to members via the Audit and Governance Committee. It also allows for risk reporting to be considered alongside performance and budget monitoring information, which are discussed in the same forum.</p> <p>In terms of risk, there will be a piece of work in 2024/25 to ensure that the corporate risk register reflects (especially in terms of accountability) the Council organisational redesign which the Council is undertaking.</p>

Principle	Assessment of the effectiveness of governance arrangements during 2023/24
<p>Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p>Key aspects of the Council’s governance arrangements during 2023/24 include:</p> <ul style="list-style-type: none"> • A large amount of information is available on the County Council website which gives details of the working of the organisation, what we spend, and how our decisions are made. • The Forward Plan provides information about the matters on which the County Council will make decisions. Formal agenda, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the County Council is planning to take, and the decisions taken. • Our Monitoring Officer has a specific duty to ensure the County Council, its officers and elected councillors maintain the highest standards in all they do. • Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit. • We are registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. We have a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office. <p>In their 2022/23 report, our External Auditors stated that they considered Internal Audit (IA) to be a significant weakness in the Council, driven by staff changes and a lack of resource. For 2024/25, the Council must take action to ensure that these concerns are allayed, and that Internal Audit is an effective tool for those charged with governance and Senior Leadership. The Chief Internal Auditor post was filled with a permanent appointment during 2023/24 and this will allow for consistent oversight of the IA function.</p>

Audit and Audit Assurances - Internal

Chief Internal Auditor Opinion

Chief Internal Auditor opinion in support of the Annual Governance Statement (May 2024):

Based on all assurance opinions provided because of internal audit work completed in 2023/24 and considering the adequacy and effectiveness of the wider governance and risk management arrangements at the County Council, I can offer a 'Moderate' Assurance annual opinion. A 'moderate' assurance is where the system of control is generally sound; however, some of the expected controls are not in place and / or are not operating effectively, increasing the risk that the system does not meet the Council's objectives. The resulting risk may be significant.

Areas that are fundamental to and need to be reported as part of the Annual Governance Statement include:

- The ongoing review of the Constitution
- The relaunch of risk management strategy
- Internal Audit needs an independent external assessment to show conformance with the Internal Audit Standards.

Internal Audit Services

Internal Audit services were provided during 2023/24 by the in-house team. The internal audit plan for the year was approved by the Audit and Governance Committee. Regular progress reports detailing the outcome of the assignments in the plan were prepared and reported to the Committee.

The plan was risk based and targeted areas where Internal Audit is the appropriate assurance provider. It was designed with a large degree of flexibility so that changes could be made to test emerging areas of concern.

Based on the internal audit assignments completed throughout the year an audit opinion is formed by the Chief Internal Auditor and Chief Financial Officer (s151 Officer).

Audit and Governance Committee

The County Council have an Audit and Governance Committee (A&GC) sitting regularly throughout the financial year.

During 2023/24 the Committee Chair reviewed issues and made reports to Council. Committee members worked together, to develop and use their knowledge and expertise, and that of others to the best effect. They have a non-political, evidence-based approach.

All the A&GC sessions in the reporting period were quorate and there was active engagement from members and officers as well as self-assessment review of the effectiveness of the committee to ensure that strong and effective governance is maintained.

Minutes of the Audit and Governance Committee are published on the Worcestershire County Council website.

Audit and Audit Assurances - External

The Council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and an assessment of the County Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2022/23, Grant Thornton gave an unqualified audit opinion on the financial statements with no significant weaknesses identified in our Value for Money (VFM) arrangements, and no improvement recommendations made in terms of VFM.

Prior Year Audit Recommendations

The 2022/23 External Audit Annual Report included a number of recommendations for the Council to consider. These are summarised below.

Recommendation: Three specific improvements that could be made to IT controls – regular reviews of audit logs and user roles, and to enforce employee acknowledgement of IT policies

Progress: Reviews of audit logs and user roles still to be built into business as usual processes. In July 2023, the Chief Officer Group agreed that training on IT policies would become part of the Council's mandatory training program from 2024/25.

Recommendation: Increase the level of detail in disclosure notes on critical judgement and estimations in the financial statements.

Progress: The Council will review these disclosure notes and consider how further detail can be included.

Recommendation: Improve controls around the authorisation of journals.

Progress: Given the limitation of 'in system' options regarding journal authorisation, we will look to provide a training refresher for all Finance staff on journal processes for 2024/25. We acknowledge that our processes around journals lead to a need for auditors to increase testing in this area.

Recommendation: Ensure there is a signed agreement in place for pooled budget arrangements.

Progress: The Council will escalate this with delivery partners for 2024/25.

Recommendation: Review whether your asset register is fit for purpose and areas where working papers supporting the accounts can be further improved.

Progress: Officers have built on the improvements noted by auditors in the 2022/23 accounts and have made what we believe are substantial improvements for the 2023/24 working papers.

Recommendation: The Fund should regularly review and approve access rights in Altair.

Progress: Access has been reviewed and Internal Audit have completed an audit (Feb 2024) on Pensions Administration.

Significant Governance Considerations

The considerations below reflect all corporate risks reported to Audit and Governance Committee as 'Red' during 2023/24:

Consideration	Update on Progress/Action taken to address the issue in 2022/23
<p>Financial Instability and Sustainability</p> <p>Risk that expenditure is in excess of income and there is a predicted or actual overspend in excess of funding available.</p>	<p>The Council set a legal budget for 2024/25 with a use of reserves, predicated on delivering over £37.2m of savings and raising council tax to the maximum permitted. Successful delivery of 2024/25 savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the Medium-term Financial Plan have had an initial deliverability assessment so that a realistic financial plan can be presented. Identifying new recurrent savings will be a key activity driven by SLT, as well as extremely close monitoring during 2024/25 to ensure we remain on track to deliver the budget.</p>
<p>Ability to maintain positive Employee Relations</p> <p>If the council is unable to negotiate or comply with employment legislation or our recognition agreement with our recognised trade unions Then: this could result in legal and/or possible industrial action with a resultant financial and reputational impact and an inability to meet service demands.</p>	<p>Relationships continue with recognised unions to maintain communication, but national pay bargaining is maintained across all authorities.</p>
<p>Outbreaks of human disease (epidemic or pandemic)</p> <p>During the COVID 19 pandemic the local authority set up a local outbreak response team (LORT) alongside an (Infection Prevention Control) IPC team from the (Integrated Care Board) ICB, funded through COMF. As of March 2023 both teams were stood down.</p> <p>This risk is to the future management and response of emerging infectious diseases, vector-borne diseases, blood-borne viruses, food-borne viruses, sexually transmitted infections, specifically where coinciding with winter period and safeguarding risk because of serious harm / death from failure to safeguard an adult with care and support</p>	<p>There are robust, well-rehearsed plans, liaison with relevant organisations/bodies who may hold framework/contingency plans for different types of infectious disease outbreaks, and ongoing scenario testing. ICB IPC team continues to provide support to care homes.</p> <p>Public Health have produced a paper outlining the costs and benefits to commissioning a nurse-led IPC team for residential settings. Conversations are ongoing with the ICB to consider joint commissioning of this enhanced service.</p>

<p>needs, whether the local authority is meeting those needs or not. We also face reputational risk as a result of service breakdown.</p>	<p>Review of risk post-LORT/IPC. A plan will be created to show how an outbreak service will be stepped back up by the local authority if required again in the future. Future scenario testing will continue to be carried out with key stakeholders to test how the local system would respond to health protection issues.</p>
<p>Breach of code of conduct by failing to disclose a relevant disclosable pecuniary interest (DPI) (Councillors)</p> <p>There is a possible criminal offence in failing to disclose a relevant DPI and potential challenge to a decision if the member(s) participated in the debate and voted</p>	<p>Member training on the code of conduct has been carried out in 2023/24. Going forward, there will be ongoing code of conduct training, and tracking of complaints to identify themes.</p>
<p>Market Instability (Adult Social Care)</p> <p>Significant upward pressure on costs (energy, food, staffing) allied to lower levels of occupancy than pre-Covid will lead some providers to give notice on some WCC funded residents and/or lead some homes to close</p>	<p>The council will open discussions with providers who decide to exit the market to enable them to do so in a supported manner. Additionally, there is a process agreed for reviewing fees which are historically low, where there is no increase in care need. Ongoing discussion and negotiation with providers.</p> <p>We will be launching invites for providers of older peoples residential care to join a DPS framework that will enable care homes to become "first choice providers". This will assist them in increasing occupancy and recovery of overheads. There is significant overprovision in the older peoples care home market and some consolidation is inevitable.</p>
<p>Increase in demand in Adults Safeguarding</p> <p>A backlog of safeguarding cases may place individuals in the care of the Council at risk of harm. IF there is a significant backlog of safeguarding cases, THEN vulnerable service users may be at an increased risk of harm</p>	<p>The Council began 2023/24 with a backlog in Adults Safeguarding cases. This required investment in terms of agency staff and overtime to clear. The risk rating was lowered to amber in January 2024 as the backlog work was fully allocated.</p>
<p>Serious harm or death of a child or young person</p> <p>Safeguarding risk because of serious harm or death of a child or failure to safeguard children. Reputational risk as a result of poor inspection or service breakdown.</p>	<p>Safeguarding issues have been monitored and managed through the WCF Performance Board and through partnership working with the Worcestershire Safeguarding Children Partnership (WSCP) and other local strategic partners. Quality Assurance measures are in place, and safeguarding arrangements</p>

	<p>and activity have been monitored by the WSCP Safeguarding Practice Review Board and Get Safe Partnership Board.</p> <p>2023/24 also saw the conclusion of a Local Child Safeguarding Practice Review following the 2021 death of a child. The review made eight recommendations to the WSCP, which have been fully implemented.</p> <p>The Ofsted inspection in 2023 noted continued improvements in terms of strengthening the Family Front Door and judged the overall effectiveness of Children’s Social Care services as ‘Good’. The inspection report also highlighted some areas of potential weakness, which will feed into service plans for 2024/25.</p>
<p>Financial pressure on resources due to increased demand (Children’s Social Care)</p> <p>Overspend on placements due to increased demand (due to Children's Placements) and cost pressures in the market place as a result of inflation and capacity</p>	<p>Regular detailed budget monitoring to the WCF Board and Council. Internal audit review (Jan 2024) of our placement process concluded that WCF management is efficient, effective and robust. Due to the financial pressures currently facing the Council, additional controls on expenditure e.g. holding non-frontline vacancies have been put in place.</p>
<p>RAAC</p> <p>County Hall roof is constructed using Reinforced Autoclave Aerated Concrete (RAAC) panels which are defective and have risk of failure.</p>	<p>Precautionary measures to vacate and prevent access to areas which would be affected by a RAAC panel failure. Control measures have been implemented for FM staff which is to restrict access to when only absolutely necessary and a permit to work system in place.</p>

Issues identified for 2024/25

A number of the issues and corresponding action plans noted above will continue to be the key focus for the County Council's leadership in 2024/25:

- Financial Management and Resilience: ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of the agreed savings plans to ensure financial sustainability.
- An assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making. This will include schemes of delegation and contract procedure rules.
- Strengthen the Council's performance framework, including service plans linked to performance and medium-term financial plans. This will include to reinforce the process around capital decision making, including business cases.
- Following the Senior Management Restructure which includes the insourcing of Children's Services to the Council from WCF ensure the those charged with governance are clear on the new operating model to ensure the organisation continues to operate efficiency and effectively.
- A continued focus on training and development for all employees, in particular HR, finance, decision making and performance management to ensure the organisation continues to deliver good value for money services.

Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review and through the County Council's Chief Officer Group, as well as the Audit & Governance Committee.

Paul Robinson

Chief Executive

Date: XX 2024

Simon Geraghty

Leader of the County Council

Date: XX 2024



**Worcestershire County Council
Draft Statement of Accounts
2023/24**

Introduction to the Statutory Accounts

The Statutory Accounts presents Worcestershire County Council's (the County Council) financial position in line with statutory reporting requirements. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and the Accounts and Audit Regulations 2015 (as amended). The main objective of the Code is to give a true and fair view of the financial position of the County Council, including information about financial position, performance, the results of stewardship of management and any risks and uncertainties.

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in year of providing services by the County Council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement. The Expenditure and Funding Analysis note reconciles the position between taxation related expenditure and accounting related transactions. The surplus or deficit on the provision of services shows the true economic cost of providing the County Council's services.

Movement in Reserves Statement

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

Balance Sheet

This shows the value of the assets and liabilities of the County Council, with the net assets matched by the reserves held. Reserves are categorised as usable, i.e. those the County Council can use to provide services, and unusable, i.e. those which cannot be used to provide services.

Cash Flow Statement

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

Notes to the Accounts

These give further detail in support of the information provided in the main accounts. Notes are only provided where the amounts involved are material. Materiality is determined by the nature or magnitude of the disclosure and the potential for the user of the accounts being influenced by any omission. The notes include the relevant accounting policies which explain the basis for the figures included in the accounts and details of relevant estimates and judgements. Any estimations which are likely to lead to a material adjustment next year in the 2023/24 accounts are evaluated and detailed in the notes.

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 and position. 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

Comprehensive Income and Expenditure Statement

2022/23 Expenditure Restated*	2022/23 Income Restated*	2022/23 Net Restated*		2023/24 Expenditure	2023/24 Income	2023/24 Net	Note
£m	£m	£m		£m	£m	£m	
Service Expenditure Analysis							2,3,4,5,6.1
342.9	(194.1)	148.8	People	390.1	(216.0)	174.1	
444.1	(316.0)	128.1	Children's Services	508.0	(358.5)	149.5	
139.6	(36.6)	103.0	Economy & Infrastructure	185.0	(42.1)	142.9	
43.8	(0.2)	43.5	Commercial & Change	38.5	(9.4)	29.2	
46.5	(24.5)	22.0	Finance, HR & Chief Executive	18.3	(13.4)	4.9	
1,016.9	(571.5)	445.5	Net Cost of Services	1,139.9	(639.3)	500.6	
14.0	(2.1)	11.9	Other operating expenditure	45.1	(1.2)	43.9	8
73.3	(40.6)	32.7	Financing, investment income & expenditure	79.5	(66.1)	13.4	9
0.3	(439.3)	(439.0)	Taxation & non-specific grant income and expenditure	0.3	(503.3)	(503.0)	10
1,104.5	(1,053.4)	51.0	(Surplus) / deficit on the provision of services	1,245.6	(1,190.7)	54.9	
Other comprehensive income and expenditure:							
		(92.3)	(Surplus) on revaluation of PPE			(76.9)	14.3
		33.4	Downward revaluations on non-current assets charged to Revaluation Reserve			6.2	14.3
		(500.1)	Remeasurement of the net defined benefit liability/(asset)			(2.4)	
		(559.0)	Total other comprehensive income and expenditure			(73.0)	
		(508.0)	Total comprehensive income and expenditure (surplus) / deficit			(18.1)	

*2022/23 has been restated to aid comparison with 2023/24 figures. Home to School Transport expenditure and income has been moved from 'Children's Services' to 'Economy and Infrastructure'. Loss on disposal of schools assets has been moved from 'Financing, investment income and expenditure' to 'Other Operating Expenditure'.

Movement in Reserves Statement 2023/24

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2023	14.3	144.2	158.6	0.0	77.1	235.7	473.4	709.1
Movement in reserves during 2023/24:								
Total Comprehensive Income and Expenditure	(54.9)	0.0	(54.9)	0.0	0.0	(54.9)	73.0	18.1
Adjustments between accounting basis & funding basis under regulations (Note 11)	(5.2)	23.3	18.1	0.0	43.4	61.5	(61.5)	0.0
Transfer to/(from) earmarked reserves	61.9	(61.9)	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in 2023/24	1.8	(38.6)	(36.8)	0.0	43.4	6.7	11.5	18.1
Balance at 31 March 2024 carried forward	16.2	105.7	121.8	0.0	120.6	242.4	484.9	727.3

Note Reference

Movement in Reserves Statement 2022/23 comparison

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2022	14.3	157.7	172.0	2.7	63.5	238.3	(37.1)	201.2
Movement in reserves during 2022/23:								
Total Comprehensive Income and Expenditure	(51.0)	0.0	(51.0)	0.0	0.0	(51.0)	559.0	508.08
Adjustments between accounting basis & funding basis under regulations (Note 11)	28.5	9.1	37.6	(2.7)	13.6	48.5	(48.5)	0.0
Transfer to/(from) earmarked reserves	22.5	(22.5)	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in 2022/23	0.0	(13.4)	(13.4)	(2.7)	13.6	(2.5)	510.5	508.0
Balance at 31 March 2023 carried forward	14.3	144.2	158.6	0.0	77.1	235.7	473.4	709.1
Note Reference		12.1				12	13	

Balance Sheet

31 March 2023		31 March 2024		31 March 2023		31 March 2024	
£m		£m	Note	£m		£m	Note
1,226.0	Property, plant and equipment	1,279.3	14,15	(1.5)	Long-term provisions	(2.5)	
1.7	Heritage assets	1.7		(416.4)	Long-term borrowing	(399.8)	16
0.0	Intangible assets	0.7		(146.4)	Other long-term liabilities	(140.4)	21
1.9	Long-term investments	1.9	16,17	(30.4)	Grants receipts in advance	(38.8)	22
102.4	Long-term debtors	101.4	18	(594.8)	Long-term liabilities	(581.6)	
1,332.1	Long term assets	1,385.2		709.1	Net assets	727.3	
8.9	Assets held for sale	1.2	14.8				
0.3	Short-term investments	0.6	29		Financed by:		
1.7	Inventories	1.9		235.7	Usable reserves	242.3	12
106.5	Short-term debtors	98.9	18	473.4	Unusable reserves	484.9	13
71.9	Cash and Cash Equivalents	81.1	19	709.1	Total reserves	727.3	
189.3	Current assets	183.8					
(119.1)	Short-term borrowing	(155.6)					
(81.3)	Short-term creditors	(91.0)	20				
(16.8)	Cash and Cash Equivalents	(13.1)	19				
(0.2)	Short-term grants receipts in advance	(0.3)	22				
(217.5)	Current liabilities	(260.1)					

Cash Flow Statement

2022/23		2023/24	
£m		£m	Note
(51.0)	Net surplus/(deficit) on the provision of services	(54.9)	
97.7	Adjust net (surplus)/deficit for non-cash movements	144.7	
(68.1)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(105.8)	
(21.5)	Net cash flows from operating activities	(16.0)	23.1
(2.8)	Net cash flows from investing activities	6.1	23.2
36.6	Net cash flows from financing activities	22.8	23.3
12.3	Net increase/(decrease) in cash or cash equivalents	12.9	
	Cash and cash equivalents		19
42.8	Balance at 1 April	55.1	
55.1	Balance at 31 March	68.0	
12.3	Movement in cash and cash equivalents increase / (decrease)	12.9	

Notes to the Financial Statements

These comprise further information about material items, a summary of significant accounting policies, detail of entries in the prime Statements and other explanatory information and disclosures.

1	General accounting policies	22	Grants and contributions receipts in advance
2	Expenditure & funding analysis	23	Cash activities
3	Note to the expenditure & funding analysis	24	Officers' remuneration
4	Segmental reporting	25	Termination benefits & exit packages
5	Expenditure & income analysed by nature	26	Related parties
6	Grants & contribution income	27	Leases
7	Section 75 framework partnership agreements	28	External audit costs
8	Other operating expenditure	29	Short term investments
9	Financing & investment income & expenditure	30	Events after the reporting period
10	Taxation & non-specific grants	31	Accounting Standards issued but not yet adopted
11	Adjustments between accounting basis & funding basis under regulation	32	Prior period adjustments
12	Usable reserves	33	Assumptions made about the future and other major sources of estimation uncertainty
13	Unusable reserves	34	Pension Schemes
14	Property, plant & equipment		
15	Private finance initiatives (PFI)		
16	Financial instruments		
17	Long term investments		
18	Debtors		
19	Cash & cash equivalents		
20	Creditors		
21	Other long-term liabilities		

1. General accounting policies

The Statement of Accounts summarises the County Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The County Council is required by the Accounts and Audit Regulations 2015 (as amended) to prepare an annual Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and International Financial Reporting Standards (IFRS). The Accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future. There is no material uncertainty in respect of this assessment of going concern.

Local authority school assets, liabilities, reserves and cash flows are recognised in the County Council's financial statements. Maintained schools comprise: Community, Voluntary Aided, Voluntary Controlled and Trust schools. Academies and Free schools are not maintained by the County Council and are not included in the consolidation.

The County Council has determined, in accordance with accounting standards and the Code of Practice on group accounts and consolidation, all maintained schools in the Worcestershire area are now considered to be separate entities controlled by the County Council. Rather than produce group accounts the revenue costs and associated balances of all maintained schools, such as accruals, provisions and cash balances, are included in the County Council's financial statements.

Consolidation of other accounts held by schools such as school funds and devolved capital accounts were reviewed and judged to be immaterial and are not recognised on the County Council's Balance Sheet. The Statement of Accounts contains estimated figures based on assumptions made by the County Council. Estimates are made considering historical experience, current trends and other relevant factors. Actual results may potentially be different from the assumptions and estimates used by the County Council and relevant notes include an assessment of the potential material impact of any changes in estimates which lead to significant risk of material adjustment in 2023/24.

2. Expenditure and funding analysis

The Expenditure and Funding Analysis (EFA) demonstrates how the funding available to the County Council for the year has been applied in providing services in comparison with those resources consumed or earned by the County Council. It also shows how this expenditure is allocated for decision-making purposes between the County Council's services. Income and expenditure are presented more fully in the Comprehensive Income and Expenditure Statement. Service analysis within the accounts is based on the County Council's operational directorates.

2023/24	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	172.9	(1.7)	171.2	2.9	174.1
Children's Services	105.8	5.1	110.8	38.7	149.5
Economy & Infrastructure	97.0	(2.4)	94.6	48.3	142.9
Commercial & Change	11.6	16.0	27.6	1.6	29.2
Finance, HR & Chief Executive	32.7	0.6	33.3	(28.4)	4.9
Net Cost of Services	420.0	17.6	437.5	63.0	500.6
Other Income and Expenditure	(400.8)	0.0	(400.8)	(44.9)	(445.7)
Net (Surplus)/deficit	19.1	17.6	36.7	18.1	54.9
Opening General Fund Balance			158.6		
Less Deficit on General Fund Balance in Year			(36.7)		
General Fund Balance			121.8		

Expenditure and funding analysis 2022/23 comparison

2022/23	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	168.5	(30.8)	137.7	11.1	148.8
Children's Services	120.5	(14.5)	106.1	45.4	151.4
Economy & Infrastructure	59.6	(12.8)	46.8	33.0	79.7
Commercial & Change	8.1	20.5	28.6	14.9	43.5
Finance, HR & Chief Executive	23.8	19.4	43.1	(21.2)	22.0
Net Cost of Services	380.5	(18.3)	362.2	83.2	445.5
Other Income and Expenditure	(373.2)	24.4	(348.8)	(45.7)	(394.5)
Net (surplus)/deficit	7.3	6.1	13.4	37.5	51.0
Opening General Fund Balance			172.0		
Less Deficit on General Fund Balance in Year			(13.4)		
General Fund Balance			158.6		

3. Note to the expenditure and funding analysis

This note provides additional analysis of the adjustments between the funding and accounting basis column in note 2 (Expenditure and funding analysis) and details the movement from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

2023/24											
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Capital adjustments not included in internal reporting	Pension adjustments not included in internal reporting	Other adjustments not included in internal reporting	Recharges and internal training included in internal reporting, removed for financial statements	Reserve movements included in internal reporting, removed for financial statements	Total adjustments to arrive at net expenditure chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
People	0.0	0.0	0.9	(18.6)	16.1	(1.7)	3.2	0.1	(0.4)	2.9	
Children's Services	0.0	0.0	2.7	0.5	1.9	5.1	17.5	0.2	21.0	38.7	
Economy & Infrastructure	0.0	0.0	(2.6)	(5.6)	5.7	(2.4)	48.4	0.0	(0.2)	48.3	
Commercial & Change	0.0	0.0	(3.9)	16.3	3.6	16.0	1.7	0.0	(0.2)	1.6	
Finance, HR & Chief Executive	0.0	0.0	2.8	7.4	(9.7)	0.6	(29.3)	4.5	(3.6)	(28.4)	
Net Cost of Services	0.0	0.0	0.0	0.0	17.6	17.6	41.5	4.8	16.7	63.0	
Other Income and Expenditure from the Expenditure and Funding Analysis	0.0	0.0	0.0	0.0	19.1	19.1	(42.5)	(2.3)	0.0	(44.9)	
Difference between General Fund surplus or deficit and CI&ES Surplus or Deficit on the Provision of Services	0.0	0.0	0.0	0.0	36.8	36.8	(1.0)	2.5	16.7	18.1	

Adjustments for capital purposes adds in depreciation, impairment and revaluation gains and losses in the service lines. For other income and expenditure includes the statutory charges for capital financing and investment and capital grant adjustments.

Net change for the pensions adjustments represents the removal of the employer pension contributions made by the County Council as allowed by statute and the replacement with current and past service costs.

Other adjustments not included in internal reporting include the financial accounting adjustments for employee leave accrual and PFI adjustments and the reallocation of transactions above and below the net cost of services.

2023/24										
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Capital adjustments not included in internal reporting	Pension adjustments not included in internal reporting	Other adjustments not included in internal reporting	Recharges and internal training included in internal reporting, removed for financial statements	Reserve movements included in internal reporting, removed for financial statements	Total adjustments to arrive at net expenditure chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
People	0.0	1.2	(5.3)	(18.4)	(8.3)	(30.8)	1.1	10.0	0.0	11.1
Children's Services	0.0	1.6	(15.1)	(1.7)	0.7	(14.5)	18.6	17.2	9.6	45.4
Economy & Infrastructure	8.7	0.5	(20.6)	(6.8)	5.4	(12.8)	29.3	3.7	(0.1)	33.0
Commercial & Change	1.8	0.4	(7.0)	22.7	2.6	20.5	11.1	3.3	0.5	14.9
Finance, HR & Chief Executive	0.0	(3.7)	16.3	4.3	2.5	19.4	(25.0)	2.9	0.9	(21.2)
Net Cost of Services	10.5	0.0	(31.7)	0.0	2.9	(18.3)	35.2	37.1	10.9	83.2
Other Income and Expenditure from the Expenditure and Funding Analysis	0.0	0.0	31.7	0.0	(7.3)	24.4	(45.7)	0.0	0.0	(45.7)
Difference between General Fund surplus or deficit and CI&ES Surplus or Deficit on the Provision of Services	10.5	0.0	0.0	0.0	(4.4)	6.1	(10.5)	37.1	10.9	37.5

4. Segmental reporting

The segments below represent the County Council's directorate structure which is used for internal reporting.

2023/24	People	Children's Services	Economy & Infrastructure	Commercial & Change	Finance, HR & Chief Executive	Total
	£m	£m	£m	£m	£m	£m
Income for Fees and Charges	(78.7)	(13.8)	(34.7)	(8.8)	(8.9)	(144.8)
Depreciation and Impairment	3.3	5.8	48.0	4.7	0.0	61.8
Premises Costs	11.8	12.4	(7.6)	6.9	0.7	24.2
Transport Costs	2.7	0.3	35.6	0.0	0.0	38.7
Third Party Payments	294.5	67.3	74.0	0.0	0.3	436.2

2022/23	People	Children's Services	Economy & Infrastructure	Commercial & Change	Finance, HR & Chief Executive	Total
	£m	£m	£m	£m	£m	£m
Income for Fees and Charges	(80.2)	(14.1)	(28.1)	(7.0)	(9.4)	(138.8)
Depreciation and Impairment	1.5	5.2	36.1	17.1	0.0	59.9
Premises Costs	12.2	14.6	(9.2)	6.1	0.8	24.4
Transport Costs	2.8	0.3	2.9	0.0	2.3	8.4
Third Party Payments	273.0	65.4	65.2	0.0	0.5	404.2

5. Expenditure and income analysed by nature

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised at the point that the service is provided or is charged for. It is not considered that this would be materially different from recognising revenue from contracts with service recipients when, or as, the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis of £5,000.

Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2022/23	Expenditure and Income analysed by nature	2023/24
£m		£m
271.2	Employee benefits expenses	254.4
693.2	Other service expenses	824.3
56.2	Depreciation amortisation and impairment	61.8
11.3	Loss on disposal of non-current assets	44.5
72.3	Interest payments	79.5
0.3	Precepts and levies	0.3
1,104.5	Total Expenditure	1,264.7
	Income	
(138.8)	Fees and charges and other service income	(144.8)
(370.9)	Income from council tax and business rates	(387.4)
(425.3)	Grants and contributions credited to services	(444.2)
(68.4)	Grants and contributions credited to taxation and non-specific grant income	(115.8)
(40.6)	Interest and Investment Income	(66.1)
(9.4)	Other	(51.4)
(1,053.5)	Total Income	(1,209.9)
51.0	Net Deficit/(Surplus) on Provision of Services	54.9

6. Grant and contribution income

Government grants, third-party contributions, and donations are recognised as due to the County Council when there is reasonable assurance that:

- the County Council is acting as principal (as opposed to agent)
- the County Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts are credited to the Comprehensive Income and Expenditure Statement once the conditions attached to the grant or contribution have been satisfied. Where the conditions have not been satisfied, they are carried in the Balance Sheet as creditors or receipts in advance and credited to the relevant service line once the conditions are met.

6.1 Comprehensive Income and Expenditure Statement - credited to services

2022/23		2023/24
£m		£m
People Services		
19.0	Improved Better Care Fund	19.0
15.9	Better Care Fund (contribution)	17.4
6.2	Disabled Facilities Grant	6.7
2.8	Independent Living Fund	0.0
15.6	Social Care Grant – Adults’ Elements	22.1
0.2	Care Act	0.2
2.0	Adult Social Care Discharge Fund	2.7
1.6	Market Sustainability and Fair Cost of Care	9.2
0.6	Shared Care Record Program Grant	0.0
0.5	Other Adult Services	0.3
31.2	Public Health	32.2
2.5	Other Public Health	3.1
12.1	Libraries & Community	8.2
4.7	Bromsgrove Schools PFI Grant	4.7

2022/23		2023/24
2.1	Homes for Ukraine - Education and Childcare Funding	0.0
0.6	Adult Social Care Infection Control Fund	0.0
0.0	Winter Grant Scheme	2.7
0.0	Urgent Emergency Care Grant	1.1
7.9	Housing Support Grant	7.9
1.7	Holiday Activities & Food Programme	1.9
127.2	Total People Services	139.4
	Children's Services	
234.9	Dedicated Schools Grant	246.2
8.6	Pupil Premium	9.1
3.9	Other Education & Skills	3.9
3.6	Universal Free School Meals	3.6
1.9	Post 16 Learning Skills Council	1.6
2.3	Other Children's Social Care	2.1
3.8	Unaccompanied Asylum-Seeking Children	5.4
1.6	Youth Grants	0.1
0.6	Transport	0.0
3.0	Services Grant – Children's Element	2.9
6.2	Social Care Grant – Children's Element	15.3
3.5	Supplementary Schools Grant	3.5
1.8	Covid-19 Recovery Grants for Schools	1.4
275.7	Total Children's Services	295.1
	Economy & Infrastructure	
1.8	Waste Disposal PFI Grant	1.3
1.6	Transport	4.1

2022/23	2023/24
0.1 Environment / Winter Damage	0.0
2.4 Other	2.8
1.0 Community Renewal Fund	0.0
6.9 Total Economy & Infrastructure	8.2
Commercial & Change	
0.1 Other	0.1
0.1 Total Commercial & Change	0.1
Finance, HR & Chief Executive	
1.5 New Homes Bonus	0.0
11.4 Homes for Ukraine Grant – Thank you payments & tariff	0.0
1.4 Services Grant – Chief Executive Element	0.0
0.9 Other	1.3
0.2 Covid-19 Practical Support for those self-isolating	0.0
15.4 Total Finance, HR & Chief Executive	1.3
425.3 Total Credited to Services	444.2

6.2 Comprehensive Income and Expenditure Statement – credited to taxation and non-specific grant income

2022/23	2023/24
£m	£m
Credited to taxation and non-specific grant income:	
10.4 Business Rate Reliefs – S31 Grant	15.3
0.0 Revenue Support Grant	0.0
0.5 Levy Account Surplus Grant	0.5
0.6 Covid-19 Sales, Fees and Charges Support Grant	0.0
11.5 Total non-ringfenced Government grants	15.8

2022/23	2023/24
£m	£m
Capital grants	
22.4 Structural maintenance	20.8
2.4 Transport	40.5
8.1 Basic Needs	7.1
6.3 LA Schools Condition Allocation	4.5
0.0 Worcestershire Local Growth Fund	0.0
1.8 European Regional Development Fund	2.3
8.6 Other Capital Grants	9.6
49.6 Total Capital Grants	84.8
7.3 Other contributions	15.1
56.9 Total Capital Grants and Contributions	99.9
68.4 Total credited to taxation and non-specific grant income	115.6

6.3 Dedicated Schools Grant

The County Council's expenditure on schools is primarily funded by Dedicated Schools Grant (DSG) from the Department for Education (DfE). An element of the DSG is recouped by the DfE to fund academy schools in the county. DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, including county-wide education services and Individual Schools Budget.

The overall DSG deficit is £43.6 million and will be carried forward against future DSG income. Within the central expenditure, High Needs expenditure overspent by £27.0 million in 2023/24 (an increase from the £11.1 million High Needs overspend in 2022/23).

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2023/24 before academy and high needs recoupment	105.9	425.4	531.4
Academy and high needs recoupment 2023/24	0.0	(287.5)	(287.5)
Total DSG after High Needs and Academy Recoupment 2022/23	105.9	137.9	243.9
Plus: brought-forward from 2022/23	0.0	0.0	0.0
Less: carry-forward to 2023/24 agreed in advance	0.0	0.0	0.0
In-year adjustments	1.2	0.3	1.6
Final budgeted distribution for 2023/24	104.8	137.6	242.3
Actual Central Expenditure	128.1	0.0	128.1
Actual ISB deployed to Schools	0.0	137.6	137.6
In year carry forward to 2024/25	(23.3)	0.0	(23.3)
DSG unusable reserve at the end of 2022/23			(20.2)
Addition to DSG unusable reserve at the end of 2023/24			(23.3)
Total DSG unusable reserve at the end of 2023/24			(43.6)

7. Section 75 framework partnership agreements

The County Council has a Section 75 joint agreement relating to the commissioning of health and social care services in Worcestershire, which includes The Better Care Fund, between the County Council and NHS Herefordshire and Worcestershire Integrated Care Board (ICB). The agreement is classified as a Joint Operation, as there is joint control, and the activity is primarily to provide services to the parties within their boundaries. Within the Section 75 agreement there are budgets primarily managed by the Integrated Care Board, budgets primarily managed by the County Council, pooled budgets (jointly controlled) and aligned budgets. Where services are primarily managed by the County Council the income and expenditure are reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This also includes the County Council's proportion of jointly controlled pooled budgets. Where services are hosted by the County Council, but primarily managed by the Integrated Care Board, the income and expenditure are not reflected in the County Council's accounts.

Partnership expenditure (outturn) has been split to show what is primarily managed by the Integrated Care Board and the County Council for 2023/24. Included in the County Council contribution is £17.5 million Better Care Fund (BCF) and £19.0m Improved Better Care Fund (IBCF) allocations.

Partnership income	Partnership expenditure	Net partnership expenditure	ICB managed	WCC contribution		Partnership income	Partnership expenditure	Net partnership expenditure	ICB managed	WCC contribution
2022/23 £m	2022/23 £m	2022/23 £m	2022/23 £m	2022/23 £m		2023/24 £m	2023/24 £m	2023/24 £m	2023/24 £m	2023/24 £m
(121.8)	125.3	3.5	47.4	77.9	Consolidated Adult Social Care Services	(130.1)	130.3	0.2	49.0	81.3
(23.9)	23.9	0.0	10.3	13.6	Consolidated Children's and Education Services	(24.8)	24.7	(0.1)	10.7	14.0
(145.7)	149.2	3.5	57.7	91.5		(154.9)	155.0	0.1	59.7	95.3

The County Council had outstanding balances with the Integrated Care Board at 31 March 2024 of £2.4 million debtors (2022/23 £2.1 million) and £0.2 million creditors (2022/23 £0.2 million).

8. Other operating expenditure

2022/23 Restated*		2023/24
£m		£m
0.5	Admin Expenses Pension	0.6
8.6	Loss on transfer of schools to other bodies (e.g. academies)	40.3
2.7	Loss on disposal of non-current assets	3.0
11.8		43.9

*2022/23 has been restated to aid comparison with 2023/24 figures. Loss on transfer of schools to other bodies has been moved from Note 9 to Note 8.

The loss on disposal relates to the removal of assets from the Balance Sheet where the County Council does not have control of the use of the asset.

9. Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the County Council's investment portfolio, the interest element of the pension fund liability and any change to the values of long-term investments.

2022/23 Restated*		2023/24
£m		£m
28.6	Interest payable and similar charges	26.0
12.2	Net interest of the net defined pension liability	(2.9)
1.1	(Increase)/Impairment in value of long-term investments	0.0
(9.1)	Interest receivable and similar income	(9.7)
32.8		13.4

*2022/23 has been restated to aid comparison with 2023/24 figures. Loss on transfer of schools to other bodies has been moved from Note 9 to Note 8.

10. Taxation and non-specific grants

The Worcestershire district councils, in their role as billing authorities, act as agents for the County Council, the precepting authority, collecting council tax on our behalf, with transactions and balances allocated between the districts and the County Council. The Comprehensive Income & Expenditure Statement includes the County Council's proportion of the net surplus or deficit and the Balance Sheet includes amounts to reflect the County Council's share of council tax debtors, overpayments and council tax creditors and monies owed or paid in advance in relation to payments from the district councils.

The district councils collect business rate income on behalf of the County Council as well as amounts to be paid over to other precepting bodies and Central Government. The County Council maintains balances for National Non-Domestic Rates (NNDR) arrears, impairment allowances, prepayments and overpayments in its underlying accounting records. NNDR transactions and balances are allocated between the County Council, the District Councils and Central Government.

Government grants and third-party contributions and donations are recognised as due to the County Council when there is reasonable assurance that:

- the County Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

2022/23	Taxation and non-specific grants	2023/24
£m		£m
(302.4)	Council tax income	(318.4)
(68.5)	Non-domestic rates	(69.0)
(11.5)	Non-ring-fenced government grants	(15.9)
(56.9)	Capital grants and contributions	(99.9)
0.3	Environment Agency	0.3
(439.0)		(503.0)

11. Adjustments between accounting basis and funding basis under regulation

This note consolidates the adjustments required through the County Council's reserves to convert the surplus or deficit on the CIES to the movement on the General Fund Balance.

2023/24	Usable Reserves General Fund (Non- earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	58.0	0.0	0.0	0.0	(58.0)
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions applied	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	15.7	0.0	0.0	0.0	(15.7)
Net loss on disposal of non-current assets	44.5	0.0	0.0	0.0	(44.5)
Statutory provision for the financing of capital investment	(15.1)	0.0	0.0	0.0	15.1
Capital expenditure charged against the General Fund	(6.8)	0.0	0.0	0.0	6.8
Revaluation to Capital Adjustment Account	3.8	0.0	0.0	0.0	(3.8)
Capital Grants and Contributions unapplied credited to the CI&ES	(99.9)	0.0	0.0	99.9	0.0
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(56.5)	56.5
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(1.2)	0.0	1.2	0.0	0.0
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(1.2)	0.0	1.2
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	23.1	0.0	0.0	0.0	(23.1)
Employer's pension contributions and direct payments to pensioners payable in the year	(20.6)	0.0	0.0	0.0	20.6

2023/24	Usable Reserves General Fund (Non-earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2.2)	0.0	0.0	0.0	2.2
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	(1.2)	0.0	0.0	0.0	1.2
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3.2)	0.0	0.0	0.0	3.2
Transfer of in-year DSG balance deficit to Unusable Reserve	0.0	23.3	0.0	0.0	(23.3)
Total Adjustments	(5.2)	23.3	0.0	43.4	(61.5)

Adjustments between accounting basis and funding basis under regulation 2022/23 comparison

2022/23	Usable Reserves General Fund (Non- earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	53.5	0.0	0.0	0.0	(53.5)
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions applied	(56.9)	0.0	0.0	0.0	56.9
Revenue expenditure funded from capital under statute	15.9	0.0	0.0	0.0	(15.9)
Net loss on disposal of non-current assets	14.6	0.0	0.0	0.0	(14.6)
Statutory provision for the financing of capital investment	(25.0)	0.0	0.0	0.0	25.0
Capital expenditure charged against the General Fund	(11.9)	0.1	0.0	0.0	11.7
Revaluation to Capital Adjustment Account	2.5	0.0	0.0	0.0	(2.5)
Capital Grants and Contributions unapplied to the CI&ES	0.0	0.0	0.0	56.9	(56.9)
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(43.3)	43.3
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(3.4)	0.0	8.5	0.0	(5.1)
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(11.2)	0.0	11.2
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	67.0	0.0	0.0	0.0	(67.0)
Employer's pension contributions and direct payments to pensioners payable in the year	(29.9)	0.0	0.0	0.0	29.9
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	1.9	0.0	0.0	0.0	(1.9)

2022/23	Usable Reserves	Usable Reserves	Usable Reserves	Usable Reserves	Movement in Unusable Reserves
	General Fund (Non- earmarked balances)	General Fund (Earmarked reserves)	Capital Receipts Reserve	Capital Grants Unapplied	
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	(0.6)	0.0	0.0	0.0	0.6
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.6	0.0	0.0	0.0	(0.6)
Transfer to in year DSG balance deficit to unusable reserve	0.0	9.0	0.0	0.0	(9.0)
Total Adjustments	28.5	9.1	(2.7)	13.6	(48.5)

12. Usable Reserves

The County Council sets aside specific amounts that can be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Where expenditure is to be financed from a reserve, the expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement and an amount is then transferred from the reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

	Opening Balance 01/04/23	Contributions To	Contributions From	Closing Balance 31/03/24
	£m	£m	£m	£m
General fund	14.3	1.8	0.0	16.1
Earmarked specific reserves	144.2	62.3	(100.9)	105.6
Capital receipts reserve	0.0	6.0	(6.0)	0.0
Capital grants unapplied	77.2	99.9	(56.5)	120.5
Total Usable Reserves	235.6	170.0	(163.4)	242.2

12.1 Transfers to/from Earmarked Reserves

The County Council sets aside amounts from the General Fund in earmarked reserves to provide financing for future expenditure plans to support specific areas of our corporate plan priorities. These amounts are then drawn down as required. Our earmarked reserves position and plans are reviewed annually and plans for future use are approved by Cabinet and Council as part of the annual budget setting process.

	Balance at 31 March 2023	Transfers in	Transfers out	Balance at 31 March 2024	Purpose of the reserve
	£m	£m	£m	£m	
Open for Business					
Revolving Investment Fund	0.5	0.0	(0.5)	0.0	Investment in the local economy which delivers income to support future investment
Open for Business	12.8	1.3	(2.0)	12.1	Supporting measures to grow our local economy
Local Authority Business Growth Initiative	0.4	0.0	0.0	0.4	Residual Local Authority Business Growth Initiative funding
Sub regional mineral plan	2.1	0.0	(0.3)	1.8	Funds held to support the delivery of the sub regional mineral plan
Growing Places reserve	1.5	0.1	0.0	1.6	Supporting growth in the local economy
Broadband Programme	3.4	0.1	(1.6)	1.9	Reserves to support digital connectivity
Other	2.2	1.4	(0.7)	2.9	Lower value reserves covering, for example, apprenticeships
Children & Families					
Safeguarding	2.0	0.0	(2.0)	0.0	Risk reserve maintained to support unexpected safeguarding costs that could arise through the contract with Worcestershire Children First.
Home to School Transport Risk Reserve	0.0	2.0	(2.0)	0.0	Risk reserve to support SEND student travel provision
Education and High Needs	2.4	0.0	(2.4)	0.0	Reserve maintained to cover general education and high needs block expenditure
High Needs Transformation Reserve	5.0	0.0	(5.0)	0.0	Reserve set aside for work to tackle pressures in High Needs funding
Children's Revenue Grants	5.9	0.6	(5.0)	1.5	Grants held by the service for draw down as required
The Environment					
Regeneration and Infrastructure	0.5	0.6	(0.3)	0.8	Supporting measures to grow our local economy

	Balance at 31 March 2023	Transfers in	Transfers out	Balance at 31 March 2024	Purpose of the reserve
Revenue grants unapplied	10.8	2.7	(6.4)	7.1	Grants held by the service for draw down as required
Waste Transformation Reserve	0.0	0.0	0.0	0.0	Reserve set aside to support waste contract and transformation services
Infrastructure Project Support	1.0	0.0	(1.0)	0.0	Supporting new infrastructure projects
Other	0.2	0.0	0.0	0.2	Lower value reserves
Health and Wellbeing					
Public Health	9.3	0.0	(2.2)	7.1	Balances from the Ring-fenced Public Health Grant held to support the service against future changes in funding
Revenue grants unapplied	9.9	0.0	(9.8)	0.1	Grants held by the service for draw down as required
Unused grants carried forward	3.0	1.3	(1.6)	2.7	Grants held by the service for draw down as required
Efficient Council					
Transformation / Change Reserve	2.0	0.1	(0.8)	1.3	Financing invest-to-save schemes to change the shape and design of the County Council
Communities Support Reserve	4.3	1.0	(2.9)	2.4	Grants funding the settlement of Afghan, Syrian and Ukraine visitors to Worcestershire
Digital Reserve	0.4	0.0	(0.2)	0.2	Supporting the development of digitally enabled operations as part of the organisational review
Elections	0.3	0.1	0.0	0.4	Annual amounts set aside to provide County Council elections, which happen every 4 years
Property Management	0.4	0.0	(0.4)	0.0	Funding for property-related expenditure
Insurance	8.4	0.6	(1.9)	7.1	Covering claims below the County Council's insurance policy excess
Business Rates Pool	9.9	1.4	(9.3)	2.0	To enable smoothing of the impact of changes to the Business Rates retention across the Pool and

	Balance at 31 March 2023	Transfers in	Transfers out	Balance at 31 March 2024	Purpose of the reserve
					changes in national funding levels, including rate appeal losses and any fall in rates collected
Coroners Major Inquests	0.4	0.0	(0.4)	0.0	Amounts set aside to cover significant inquest costs
Councillors Divisional Fund	1.2	0.5	(0.5)	1.2	Funds to support Councillors' local discretionary spend
Fleet Surplus Reserve	0.1	0.0	(0.1)	0.0	Fleet support
Future Capital Investment	4.9	0.5	(5.5)	0.1	Monies set aside to fund future planned capital expenditure
Financial Services Reserve	1.6	0.0	(1.6)	0.0	Funding to support the employers' pension contributions
Finance and Whole Council Revenue Grants	0.1	0.0	(0.1)	0.0	Grants held by the service for draw down as required
Smarter Ways of Working	2.0	0.0	(2.0)	0.0	Monies set aside to enable new ways of working
Financial Risk Reserve	29.5	37.8	(25.9)	41.4	Amount set aside to support financial risk
Other reserves (not available for core spend)					
Schools balances held under delegation	4.5	9.5	(4.5)	9.5	Balances held for individual maintained schools
Schools ICT PFI Reserve	0.0	0.0	0.0	0.0	PFI grant funding supporting the ongoing delivery of the programme
Bromsgrove High School PFI Advance	1.4	0.6	(2.0)	0.0	PFI grant funding supporting the ongoing delivery of the programme
Waste Contract PFI Grant	0.0	0.0	0.0	0.0	To fund pressures relating to the increase on household waste disposal costs as the number of households in the County increases
Total	144.3	62.2	(100.9)	105.6	

13. Unusable Reserves

These reserves are set aside but cannot be used to provide services, including those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and those that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Opening Balance 01/04/23	Transfers In	Transfers Out	Closing Balance 31/03/24	Purpose of the reserve
	£m	£m	£m	£m	
Pensions reserve	(1.7)	181.4	(181.3)	(1.7)	Movement in remeasurement of the net defined liability, adjusted under IFRIC 14.
Accumulated absences adjustment account	(6.3)	3.2	0.0	(3.1)	Balances relating to the accumulated holiday due but not taken in year
Financial instruments adjustment account	(1.0)	0.0	0.0	(1.0)	Valuation gains and losses on financial instruments carried at fair value
Capital adjustment account	223.6	119.9	(132.6)	210.8	A reserve account used to adjust for accounting items relating to non-current assets that have been recognised in the CIES
Revaluation reserve	280.4	76.8	(35.9)	321.3	Unrealised gains and losses arising from revaluations of long-term assets
Collection fund adjustment accounts	(1.2)	7.5	(4.0)	2.2	Surplus or deficit arising from agency arrangements
DSG Adjustment Account	(20.3)	0.0	(23.3)	(43.6)	Accumulated DSG deficit
Total Unusable Reserves	473.5	388.7	(377.2)	484.9	

14. Property, Plant and Equipment

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

Recognition

Expenditure on PPE is capitalised on an accrual basis in the accounts, provided that it is probable that the future economic benefits (including service potential) associated with the item will flow to the Authority, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. This may include any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority. The Council does not capitalise borrowing costs.

Expenditure which is maintenance only in which case it is charged to the Comprehensive Income and Expenditure Statement when it is incurred. The County Council applies a de minimis level of £5,000 for the capitalisation of expenditure on Property, Plant and Equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income and Expenditure Statement in the reporting period it is incurred. There is no de minimis level for capitalisation for Schools.

Purchased assets are initially measured at cost. Non-purchased assets (including donated assets) are measured at fair value, or at the carrying amount where there is no commercial substance (e.g. via exchange). The detailed bases for measuring assets are given below:

- Land and buildings – Current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Vehicles, plant and equipment - Current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Infrastructure – Depreciated historical cost
- Community assets – Depreciated historical cost
- Assets under construction – Historical cost
- Surplus Assets – Fair Value

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account so that there is no impact on the level of council tax.

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer, unless WCC Property Team have an alternative view. Newly acquired assets are not subject to a depreciation charge in the year of acquisition. Vehicles are depreciated over the life of the asset. Equipment is generally depreciated over a 5-year life, with IT equipment depreciated over 3 years.

Infrastructure Assets

Accounts are prepared to reflect the December 2022 amendment to Local Authorities (Capital Finance and Accounting) (England) regulations 2003. The gross historical cost and accumulated depreciation for Infrastructure Assets has not been separately reported; instead, the net book value and movement in the year has been disclosed with total Property, Plant & Equipment balances reconciled to the Balance Sheet total. Further explanation of the Council's accounting policy in respect of Highways Network Infrastructure Assets is noted below.

14.1 Movements

2023/24	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment [^]	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2023	501.7	123.9	9.5	2.6	50.5	688.3	212.6
Restatement	0.0	0.0	0.0	0.0	0.0	0.0	(10.0)
At 1 April 2023 Restated	501.7	123.9	9.5	2.6	50.5	688.3	202.6
Additions	4.0	1.5	0.1	0.4	19.4	25.3	0.0
Revaluation increases / (decreases) recognised in Revaluation Reserve	31.8	(4.2)	0.0	32.1	0.0	59.7	(1.3)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.7)	0.0	0.0	(0.5)	0.0	(2.2)	(1.4)
Derecognition - disposals	(40.8)	(0.7)	0.0	0.0	0.0	(41.5)	(35.5)
Derecognition - other	(7.4)	0.0	0.0	0.0	(1.3)	(8.8)	(6.1)
Assets reclassified (to)/from Held for Sale	2.9	0.0	0.0	3.1	0.0	5.9	0.0
Assets reclassified to other categories	(0.8)	0.0	0.0	0.8	0.0	0.1	0.0
Other movements in cost or valuation	2.0	2.0	0.0	0.1	(18.4)	(14.4)	0.0
At 31 March 2024	491.6	122.4	9.6	38.5	50.3	712.4	158.4

[^]Total Property, Plant & Equipment excluding Infrastructure Assets

2023/24	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment [^]	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2023	(6.0)	(16.3)	0.0	0.0	0.0	(22.3)	(13.3)
Restatement	0.0	0.0	0.0	0.0	0.0	0.0	10.0
At 1 April 2023 Restated	(6.0)	(16.3)	0.0	0.0	0.0	(22.3)	(3.3)
Depreciation charge	(8.7)	(7.5)	0.0	0.0	0.0	(16.2)	(7.1)
Depreciation written out to the Revaluation Reserve	4.8	5.8	0.0	0.1	0.0	10.7	6.7
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.4	0.0	0.0	0.0	0.0	0.4	0.0
Derecognition - disposals	0.4	0.8	0.0	0.0	0.0	1.2	0.4
Derecognition - other	4.6	0.0	0.0	0.0	0.0	4.7	3.3
Assets reclassified (to)/From Held for Sale	(0.2)	0.0	0.0	0.0	0.0	(0.2)	0.0
Assets reclassified to other categories	0.2	0.0	0.0	(0.1)	0.0	0.0	0.0
Other movements in depreciation and impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2024	(4.4)	(17.2)	0.0	0.0	0.0	(21.7)	0.0
Net book value							
At 31 March 2024	487.2	105.2	9.6	38.5	50.3	690.8	158.4
At 31 March 2023	495.7	107.6	9.5	2.6	50.5	666.0	199.4

[^]Total Property, Plant & Equipment excluding Infrastructure Assets

Infrastructure Assets	£m
Opening Net book value at 1 April 2023	560.1
Additions	56.6
Other movements in cost or valuation	13.7
Depreciation charge	(41.8)
Closing Net book value at 31 March 2024	588.5

Reconciliation to Balance Sheet	£m
Net book value of PPE excluding Infrastructure Assets	690.8
Net book value of Infrastructure Asset	588.5
Total Net book value of PPE at 31 March 2024	1279.3

Highways Network Infrastructure Assets

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

Infrastructure Assets - Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Infrastructure Assets - Measurement

Highways network infrastructure assets are generally 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 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Infrastructure Assets - Depreciation

Depreciation is provided for on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed using industry standards where applicable.

Infrastructure Assets - Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that, from the introduction of the IFRS based Code, when parts of an asset are replaced or restored, the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

Movements 2022/23 Comparison

2022/23	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment [^]	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2022	500.8	183.8	0.3	4.0	107.9	796.8	200.2
Additions	4.3	0.2	0.0	0.0	24.3	28.8	0.2
Revaluation increases / (decreases) recognised in Revaluation Reserve	30.7	3.9	4.3	0.0	0.0	38.9	12.2
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2.2)	0.0	(0.1)	0.1	0.0	(2.2)	0.0
Derecognition - disposals	(9.0)	0.0	0.0	(0.2)	0.0	(9.2)	0.0
Derecognition - other	(15.0)	(63.9)	0.0	0.0	0.0	(78.9)	0.0
Assets reclassified (to)/from Held for Sale	(5.1)	0.0	0.0	(0.2)	0.0	(5.3)	0.0
Assets reclassified to other categories	(4.7)	0.0	5.0	(1.1)	0.0	(0.9)	0.0
Other movements in cost or valuation	1.9	0.0	0.0	0.0	(81.8)	(79.7)	0.0
At 31 March 2023	501.7	123.9	9.5	2.6	50.5	688.2	212.6

[^]Total Property, Plant & Equipment excluding Infrastructure Assets

2022/23	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment [^]	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2022	(28.6)	(76.2)	0.0	0.0	0.0	(104.8)	(13.3)
Depreciation charge	(4.2)	(9.2)	0.0	(0.0)	0.0	(13.5)	(6.3)
Depreciation written out to the Revaluation Reserve	(4.6)	0.0	0.0	0.0	0.0	(4.6)	0.0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition - disposals	0.4	0.0	0.0	0.0	0.0	0.4	0.0
Derecognition - other	14.6	63.8	0.0	0.0	0.0	78.5	0.0
Assets reclassified (to)/From Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified to other categories	1.9	0.0	0.0	0.0	0.0	1.9	0.0
Other movements in depreciation and impairment	14.5	5.3	0.0	0.0	0.0	19.8	6.3
At 31 March 2023	(6.0)	(16.3)	0.0	(0.0)	0.0	(22.3)	(13.3)
Net book value							
At 31 March 2023	495.7	107.6	9.5	2.6	50.5	665.9	199.3
At 31 March 2022	472.2	107.6	0.3	4.0	107.9	692.0	186.9

[^]Total Property, Plant & Equipment excluding Infrastructure Assets

Infrastructure Assets	£m
Opening Net book value at 1 April 2022	454.1
Additions	62.1
Other movements in cost or valuation	79.8
Depreciation charge	(35.9)
Closing Net book value at 31 March 2023	560.1

Reconciliation to Balance Sheet	£m
Net book value of PPE excluding Infrastructure Assets	665.9
Net book value of Infrastructure Asset	560.1
Total Net book value of PPE at 31 March 2023	1,226.0

14.2 Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. This also ensures compliance with the CIPFA Local Authority Code of Practice, which states that valuations shall be carried out at intervals of no more than five years. Further revaluations are carried out where there have been material changes. Assets are revalued where completed capital expenditure represents more than 15% of the asset's opening net book value or is greater than £100,000. Non-property assets with short useful lives and/or low values are valued at depreciated historical cost and where there is no market-based evidence of current value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used. The County Council's valuations as at 31 March 2024 have been completed by:

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

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

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

- the carrying amount of the asset writing down the balance of revaluation gains for the asset in the Revaluation Reserve; or
- the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement where there is no, or insufficient, balance in the Revaluation Reserve.

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

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

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

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

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

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m
Net book value as at:								
31 March 2024	305.4	99.9	0.0	0.0	38.4	0.0	443.7	157.5
31 March 2023	179.8	0.0	0.0	9.6	0.1	0.0	189.5	0.9
31 March 2022	1.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
31 March 2021	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.0
31 March 2020	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Held at cost	0.0	5.3	588.6	0.0	0.0	50.3	644.2	0.0
Total cost or valuation	487.2	105.2	588.6	9.6	38.5	50.3	1279.3	158.4

14.3 Revaluation reserve

The revaluation reserve contains revaluation gains arising from increases in the value of PPE 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.

2022/23		2023/24
£m		£m
228.7	Opening Balance at 1 April	280.4
92.3	Revaluations upwards during the year	76.9
(4.6)	Depreciation of revaluations	(5.0)
(33.4)	Revaluations downwards during the year	(6.2)
(2.6)	Disposal of revaluations	(24.7)
280.4	Closing Balance at 31 March	321.3

14.4 Downward revaluations and disposal losses

Disposal proceeds are categorised as capital receipts and used for new capital investment or set aside to reduce the County Council's underlying need to borrow (the Capital Financing Requirement). Gains or losses arising from the derecognition of an asset recognises the difference between the disposal proceeds and carrying value of the asset and is included in the Surplus or Deficit on the Provision of Services. There is then a credit to the Capital Receipts Reserve equal to the disposal proceeds and a debit to the Capital Adjustment Account for the carrying amount of the fixed asset disposal.

Schools converting to academy status are transferred for nil consideration.

2022/23		2023/24
£m		£m
40.6	Downward revaluations - other land and buildings	10.4
0.0	Downward revaluations – vehicles, plant, furniture & equipment	0.0
0.4	Downward revaluations - non-operational	2.0
11.3	Disposal losses – other land & buildings	43.3
52.3		55.6

14.5 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 additions to those assets under statutory provisions.

2022/23	2023/24
£m	£m
217.0	223.5
Capital Financing:	
6.1	1.2
5.1	4.8
43.3	56.5
11.7	6.8
0.0	0.0
66.2	69.2
(2.6)	(3.8)
(53.5)	(58.0)
4.6	5.0
14.7	16.7
10.3	4.3
0.0	(5.8)
(15.9)	(15.7)
(14.7)	(44.5)
2.6	24.7
(5.1)	(4.8)
223.5	210.8

14.6 Contractual commitments for property, plant and equipment

As at 31 March 2024 the County Council has a capital programme comprising capital projects amounting to £390.0 million (2022/23 £432.7 million) for 2023/24 and future years. Of this total programme £128.5 million related to expected expenditure for 2023/24, with the remaining £261.5 million allocated for 2024/25 onwards. As at 31 March 2024, the following contracts have been entered into for the construction or enhancement of PPE.

Major schemes where contracts have been let:	£m
Column Replacement Programme	3.1
A38 Bromsgrove	22.0
Sub-total	25.1
Committed schemes less than £2 million	1.5
Major schemes where contracts have been let:	26.6

14.7 School assets

The land and buildings utilised in the provision of education services across the County are recognised in accordance with the asset recognition tests as they are judged to apply to the different type of arrangements. The accounting treatment of the schools' land and buildings is as follows:

- Community schools – land and buildings are legally held by the County Council and are shown in full on the Balance Sheet. Valuation of these assets is at depreciated replacement cost to reflect the specialist nature of the assets;
- Voluntary Controlled schools and Voluntary Aided schools - land and buildings comprising the main body of the school are legally held by the other entities. In Worcestershire this is either the Church of England or Catholic Diocese who retain the control of the asset. The review determined that, for these assets, legal ownership in conjunction with the substantive rights to the asset and future economic benefits sit with the relevant church body. Accordingly, the County Council has not shown these assets on the Balance Sheet;
- Foundation schools/ Trust schools – land and buildings comprising the body of the school are legally held by other entities. The review determined that, for these assets, legal ownership in conjunction with the substantive rights to the asset and future economic benefits sit with the relevant church body. The County Council has use of the assets but is not able to exert substantive control over them or to receive any future economic benefits. Accordingly, the County Council has not shown these assets on the Balance Sheet;
- Assets provided by the County Council as part of its responsibility for running the schools are shown on the Balance Sheet (for example the funding of mobile classrooms);
- Academy schools (previously community schools) – are not maintained by the County Council. The land and buildings comprising the body of the schools are leased to the academy on a 125-year lease and are therefore not shown on the Balance Sheet. Where the County Council has retained the freehold of the land, the land is held on the County Council balance sheet at a nominal value to reflect its restricted use.
- Local authority schools which are due to convert to academy status post balance sheet date are treated as non-adjusting post balance sheet date events. Where a school transfers after 31 March 2024, details are given in the Events after the Balance Sheet date note at the end of the accounts.

	Number of schools at 31 March 2024	Value held on Balance Sheet at 31 March 2024	Status
		£m	
Community	47	236.5	On Balance Sheet
Maintained & Academy PFI Schools	7	26.6	On Balance Sheet
Voluntary controlled	37	1.8	Off Balance Sheet
Voluntary aided	22	0.2	Off Balance Sheet
Academy (Non-PFI)	125	0.2	Off Balance Sheet
Foundation	1	0.0	Off Balance Sheet
Free School	4	0.0	Off Balance Sheet
	243	265.4	

14.8 Assets held for sale

Assets held for sale are actively marketed and, as such, are not depreciated.

2022/23	2023/24
£m	£m
8.9 Assets Held for Sale	1.2

14.9 Capital expenditure and capital financing

2022/23	2023/24
£m	£m
816.1	831.7
Opening capital financing requirement	
Capital investment:	
91.0	82.0
Property, plant and equipment	
15.9	15.7
Revenue expenditure funded from capital under statute	
106.9	97.7
Total Capital Investment	
Sources of finance:	
(6.1)	(1.2)
Capital receipts (sale proceeds)	
(5.1)	(4.8)
Capital receipts (capital loan repayment)	
(43.3)	(56.5)
Government grants & other contributions	
Sums set aside from revenue:	
(11.7)	(6.7)
Direct revenue contributions	
(14.7)	(16.7)
MRP/loans fund principal (excluding PFI)	
(10.3)	(4.3)
MRP/loans fund principal (PFI)	
0.0	5.8
MRP/loans fund principal (PFI) Prior Year Adjustment	
831.7	845.0
Closing Capital Financing Requirement	
(144.8)	(138.7)
Long-term liabilities (PFI liabilities)	
686.9	706.3
Underlying need to borrow	
Explanation of movements in year	
15.6	13.3
Increase in underlying need to borrow	
15.6	13.3
Increase / (decrease) in Capital Financing Requirement	

Minimum Revenue Provision (MRP) is a charge to the General Fund and is shown in the Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement, with a matching entry in the Capital Adjustment Account. It represents an annual contribution from revenue towards the provision for the reduction in our overall borrowing requirement. MRP is charged over a period that is broadly commensurate with the period over which the County Council receives benefit from the asset. The charge is calculated using the asset life method on an annuity basis for either:

- The average life of all assets at 31 March 2008 for pre-2008 debts, and
- The average asset class life for post-2008 debts, using schools, highways, and other assets as our key categories.
- For PFI assets, the MRP charge is based on the useful economic life relevant to each asset.

The total MRP charge in 2023/24 is £15.1m represented by £16.7m charged in respect of non-PFI assets, £4.3m in respect of PFI assets and a (£5.8m) adjustment relating to prior year's PFI charge.

15. Private finance initiatives (PFI)

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the County 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 County Council at the end of the contracts at no additional charge, the County 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 County Council.

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

1. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
2. 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.
3. 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.
4. Payment towards liability – applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.
5. 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 County Council has 3 PFI contracts providing waste services (including energy from waste), schools and library services. These contracts have been assessed as meeting the requirements of IFRIC 12 and the non-current assets relating to the service provision have been brought on to the County Council's Balance Sheet with a corresponding finance liability.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the County Council. The significant PFI contracts are as follows:

15.1 Waste Disposal PFI

In December 1998 the County Council, in partnership with Herefordshire 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 Councils are required to ensure that all waste for disposal is delivered to the Contractor who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500 million of which approximately 75% relates to the County Council. The contractor is at risk if waste tonnage fluctuates although the Authorities will be liable for a minimum payment of about £6 million per year in future years.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Actual takeover by Mercia Waste Management Limited was achieved in March 2017. Completion of the takeover tests by Mercia Waste Management Limited was achieved as planned in August 2017. The contract has been extended to 2029.

Both Councils will be providing circa 82% of the Project Finance requirement from their own planned borrowing from the Public Works and Loans 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.

15.2 Bromsgrove Schools PFI

In December 2005, the County Council entered into a 30-year contract with Inveisit UK Ltd (previously known as BAM PPP UK Limited and prior to that as HBG PFI Projects Ltd.) for the replacement of seven schools and one library, in the Bromsgrove area of Worcestershire. The estimated cost over the life of the contract is approximately £300 million. The sites were completed and became operational in 2007/08. Since the completion date, four of the seven schools have converted to Academy status, the first of which was in April 2013, and the most recent in December 2023. One of the academy schools shares the site with the library, which has remained a WCC asset. The academisations have had no impact to the main PFI contract. Academies have entered into agreements with the County Council to continue the obligations of the school in respect of the PFI contract.

15.3 Worcester Library and History Centre (The Hive) PFI

In January 2010 the County Council entered into a PFI contract with Galliford Try Investments Ltd (now DiF Infra 3 UK Limited) for the construction and provision of a new Worcester Library and History Centre (The Hive). The Hive became operational in January 2012 and opened to the public in the summer of 2012. The Hive is a partnership initiative between the County Council and the University of Worcester ('the University') for the provision of a fully-integrated public and University library, plus the Worcestershire Record Office, Worcestershire Historic Environment and Archaeology Service and Worcestershire Hub Customer Service Centre.

The service term for the contract is 25 years from the handover of the facility and the annual unitary payment during the life of the contract is £4.6 million, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. At the end of the contract term the assets transfer to the County Council and the University on a 70/30 basis. The contract also allows for an extension to the provision of services by Galliford Try Investments Ltd.

15.4 Value of assets and liabilities under PFI contracts

	PPE – Land & Buildings Waste disposal	PPE – Land & Buildings Bromsgrove schools	PPE – Land & Buildings The Hive	PPE – Land & Buildings Total	PPE - vehicle, plant & equipment Waste disposal	PPE Total
	£m	£m	£m	£m	£m	£m
Balance at 31 March 2023	5.2	63.4	26.7	95.3	104.0	199.3
Restatement	0.0	0.9	(0.9)	0.0	0.0	0.0
Balance at 31 March 2023 Restated	5.2	64.3	25.8	95.3	104.0	199.3
Additions	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(0.8)	(0.5)	(1.3)	(5.8)	(7.0)
Revaluations	2.6	(0.9)	0.7	2.3	1.7	4.0
Derecognition - disposals	0.0	(35.1)	0.0	(35.1)	0.0	(35.1)
Derecognition - other	(2.8)	0.0	0.0	(2.8)	0.0	(2.8)
Other Movements	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 March 2024	4.9	27.5	26.1	58.5	99.9	158.4

Finance Lease Liability

	Waste disposal	Bromsgrove schools	The Hive	Total
	£m	£m	£m	£m
Balance at 31 March 2023	(83.2)	(45.9)	(15.7)	(144.8)
Additions	0.0	0.0	0.0	0.0
Payments	3.8	1.6	0.6	6.1
Balance at 31 March 2024	(79.4)	(44.2)	(15.1)	(138.7)

15.5 Details of payments due to be made under PFI contracts

	Repayment of liability	Service Charge	Interest	Total
	£m	£m	£m	£m
Payments due within one year	6.3	37.3	10.2	53.8
Payments due within 2 to 5 years	87.4	150.5	35.9	273.7
Payments due within 6 to 10 years	21.8	37.2	16.8	75.8
Payments due within 11 to 15 years	23.2	27.1	5.1	55.4
Payments due within 16 to 20 years	0.0	0.0	0.0	0.0
Total	138.7	252.1	68.0	458.8

The payments due are based on prices at the Balance Sheet date.

16. Financial instruments

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability to another party. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments. The term includes financial assets such as bank deposits, investments and loans and accounts receivable and financial liabilities including borrowings and amounts payable. They are recognised on the Balance Sheet when the County Council becomes party to the contractual provisions of the Financial Instrument and are carried in-line with the requirements of IFRS 9.

The fair value calculations have been provided by the County Council's Treasury Management advisors for PWLB loans, LOBO loans, PFI Liabilities and shares in unlisted companies.

Debtors and Creditors are recognised on the Balance Sheet when the County Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently measured at their amortised cost.

16.1 Income, expense, gains and losses on Financial Instruments 2023/24

The gains and losses on financial instruments recognised in the Comprehensive Income and Expenditure Statements are shown in the following table:

Financial Liabilities Measured at Amortised Cost	Financial Assets at Amortised Cost	Financial Assets at Fair Value Through Profit and Loss	22/23 Total		Financial Liabilities Measured at Amortised Cost	Financial Assets at Amortised Cost	Financial Assets at Fair Value Through Profit and Loss	23/24 Total
£m	£m	£m	£m		£m	£m	£m	£m
(28.6)	0.0	0.0	(28.6)	Interest expense	(15.4)	0.1	0.0	(15.3)
1.3	9.1	0.9	11.3	Interest income	1.5	9.7	2.1	13.3
0.0	0.0	(1.1)	(1.1)	Increase/(decrease) in fair value	0.0	0.0	0.0	0.0
(0.1)	0.0	0.0	(0.1)	Fee expense	(0.1)	0.0	0.0	(0.1)
(27.4)	9.1	(0.2)	(18.5)	Net gain / (loss) for the year	(14.0)	9.8	2.1	(2.1)

16.2 Financial assets

Financial assets are classified as either:

- Amortised Cost – where the County Council holds the asset to collect payments of principal and interest and the cashflows arising not subject to variations in capital value. These are recognised on the Balance Sheet when we become party to the contractual provisions of the instrument and are initially valued at fair value, with subsequent measurement at amortised cost.
- Fair Value through profit and loss –in all other cases. These are recognised on the Balance Sheet when we become party to the contractual provisions of the instrument and are initially valued at fair value, with subsequent measurement at market price for instruments with quoted prices or discounted cash flow for instruments with fixed and determinable payments.

The financial assets disclosed in the balance sheet are analysed across the following categories:

31/03/2023	31/03/2023	31/03/2023	Category	31/03/2024	31/03/2024	31/03/2024
Long-term	Current	Total		Long-term	Current	Total
£m	£m	£m		£m	£m	£m
0.0	0.0	0.0	Amortised cost	0.0	0.0	0.0
1.9	0.3	2.2	Financial assets at fair value through profit & loss	1.9	0.4	2.3
1.9	0.3	2.2	Total Investments	1.9	0.4	2.3
0.0	6.1	6.1	Cash	0.0	2.0	2.0
0.0	0.0	0.0	Cash equivalents at amortised cost	0.0	0.0	0.0
0.0	65.8	65.8	Fair value through profit & loss	0.0	79.2	79.2
0.0	71.9	71.9	Total Cash	0.0	81.1	81.1
102.4	68.5	170.9	Debtors*	101.4	65.8	167.2
102.4	140.4	242.8	Total financial assets	103.4	147.3	250.6

*The debtors figure stated is lower than the debtors shown on the Balance Sheet as it excludes the following amounts which do not meet the definition of a financial asset: payments in advance and non-exchange transactions

0.0	38.0	38.0	Debtors which do not meet the definition of a financial instrument	0.0	33.1	33.1
104.2	106.5	208.9	Balance Sheet Debtors Total	101.4	98.9	200.3

16.3 Financial liabilities

Financial liabilities are recognised on the Balance Sheet once there is a contractual obligation and are initially measured at fair value and carried at amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of loans has been assessed at current market conditions by calculating the present value of the cash flows that take place over the remaining life of the loans.

31/03/2023	31/03/2023	31/03/2023	Category	31/03/2024	31/03/2024	31/03/2024
Long-term	Current	Total		Long-term	Current	Total
£m	£m	£m		£m	£m	£m
(416.4)	(119.1)	(535.5)	Financial liabilities at amortised cost	(399.8)	(155.6)	(555.4)
(0.0)	(16.8)	(16.8)	Bank Account Liabilities	(0.0)	(13.1)	(13.1)
(0.0)	(39.7)	(39.7)	Creditors*	(0.0)	(51.7)	(51.7)
(144.8)	(0.0)	(144.8)	Other financial liabilities (PFI) at amortised cost	(132.4)	(6.3)	(138.7)
(561.2)	(175.6)	(736.8)	Total financial liabilities	(532.2)	(226.7)	(758.9)

*The creditors figure stated is lower than the creditors shown on the Balance Sheet as it excludes the following amounts which do not meet the definition of a financial asset:

(0.0)	(41.6)	(41.6)	Creditors which do not meet the definition of a financial instrument	(0.0)	(39.3)	(39.3)
(0.0)	(81.3)	(81.3)	Balance Sheet Creditors Total	(0.0)	(91.0)	(91.0)

16.4 Fair value of financial assets and liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. 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.

Financial liabilities and financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of remaining cash flows at 31 March 2024 using fair value techniques appropriate to the characteristics of each instrument, using the following methods and assumptions:

- Loans taken out by the Council have been valued by discounting contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The carrying value of long-term instruments, represented by long-term debtors, is deemed to be a reasonable proxy for fair value as this debtor will be repaid by 31 March 2025 and therefore the discounting of future cashflows over this two year period is not a material difference.
- The fair values of finance lease and PFI scheme liabilities have been calculated by discounting the contractual cashflows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is deemed to be not materially different to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy.

Level 1	Fair value is derived from quoted prices in active markets for identical assets or liabilities
Level 2	Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability
Level 3	Fair value is determined using unobservable inputs

Fair value of financial assets

31/03/2023	31/03/2023	31/03/2023	Category	31/03/2024	31/03/2024	31/03/2024
Balance Sheet value	Fair value	Fair value level		Fair value level	Balance Sheet value	Fair value
£m	£m				£m	£m
Financial asset held at fair value through profit & loss						
0.0	0.0	1	Short-term investments	1	0.0	0.0
71.9	71.9	1	Cash and cash equivalents	1	81.1	81.1
1.9	1.9	3	Long-term investments (Malvern Hills Science Park)	3	1.9	1.9
73.8	73.8		Subtotal		83.0	83.0
Financial asset held at amortised cost						
102.4	102.4	1	Long-term debtors	1	101.4	101.4
0.3	0.3	1	Investments	1	0.6	0.6
102.7	102.7		Sub total		101.9	101.9
176.5	176.5		Total		184.8	184.8
68.5	68.5		Assets for which fair value is not disclosed*		65.8	65.8
245.0	245.0		Total Financial Assets		250.6	250.6
Recorded on Balance Sheet as:						
102.4			Long term loans and advances		101.4	
1.9			Long term investments		1.9	
0.3			Short-term investments		0.6	
68.5			Short-term Debtors		65.8	
71.9			Cash and cash equivalents		81.1	
245.0			Total Financial Assets		250.6	

*The fair value of short term financial assets including trade receivables is assumed to approximate to the carrying amount.

Fair value of financial liabilities

31/03/2023	31/03/2023	31/03/2023		31/03/2024	31/03/2024	31/03/2024
Balance Sheet value	Fair value	Fair value level		Fair value level	Balance Sheet value	Fair value
£m	£m				£m	£m
Financial liabilities held at amortised cost						
381.1	316.6	2	Long term PWLB loans	2	369.5	296.0
35.3	32.9	2	Other long term loans	2	30.3	30.3
16.8	16.8	1	Bank Account Liabilities	1	13.1	13.1
144.8	112.0	1	PFI liabilities	1	138.7	138.7
11.2	11.2		Short term PWLB loans		59.2	57.5
107.9	107.9		Other short term loans		96.4	89.9
697.1	597.4		Total financial liabilities held at amortised cost		707.2	625.5
39.7			Liabilities for which fair value is not disclosed*		51.7	0.0
736.8	597.4		Total financial liabilities		758.9	625.5
Recorded on Balance Sheet as:						
39.7			Short term Creditors		51.7	
119.1			Short term Borrowings		155.6	
16.8			Bank Account Liabilities		13.1	
416.4			Long term Borrowings		399.8	
144.8			Other long term liabilities		138.7	
736.8			Total Financial Liabilities		758.9	

*The fair value of short term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their Balance Sheet carrying amount as these balances comprise a number of loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at the end of the financial year) arising from a commitment to pay interest to lenders at above current market rates.

16.5 Nature and extent of risks arising from financial instruments

The County Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the County Council in the Treasury Management Strategy.

The Strategy imposes a maximum sum and duration that the County Council can invest in an institution, depending upon the quality of credit rating. The Strategy for 2023/24 was approved by Council on 16 February 2023.

The County Council's activities expose it to a variety of financial risks. The key risks are:

Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to the County Council.

Credit Risk Management Practices

The Council's credit risk management practices are set out within its Annual Treasury Management Strategy (ATMS), with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The ATMS requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The ATMS also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below: -

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

All credit ratings are monitored daily and changes to ratings are notified to the Council by Link Asset Treasury Solutions, creditworthiness service. If a downgrade results in the financial institution / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £25.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits but there was no evidence at the 31 March 2024 that this was likely to crystallise

The credit risk in respect of Trade Debtors is considered at Note 18.

- Cash and Cash Equivalents - No material risk on the basis that these are liquid assets.
- Short-term investments – No material risk. The Short-term investments balance at 31 March 2021 comprises a single deposit at another local authority with a short-term maturity date; the expected credit loss was assessed by our Independent Treasury Advisors as a trivial sum.
- Capital Advances treated as a Loan – No material risk. In respect of the loan arrangement to Mercia Waste, we assess the 12 month potential credit loss; as this has been quantified as not material, we see no reason to revise our assessment in light of the Covid-19 impact given that:
 - The nature of the Counterparty's activity (waste management), which has continued to operate during the pandemic and will continue to operate as the economy reopens; and
 - The nature of the underlying asset (clean power generation), notwithstanding short-term energy price fluctuations, we do not anticipate any risk of obsolescence, loss of amenity or other factors that would suggest an impairment in the value of the asset.

Credit risk: Treasury Investments

The table below summarises the credit risk exposures of the County Council's treasury investment portfolio by credit rating:

31/03/2023	31/03/2023	Credit Rating	31/03/2024	31/03/2024
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
1.9	62.7	AAA	1.9	85.2
0.0	10.0	AA-	0.0	0.0
0.0	5.0	A	0.0	0.8
1.9	77.8	Total	1.9	85.9
0.0	0.0	Credit Rating not applicable	0.0	0.0
1.9	77.8	Total Investments	1.9	85.9
0.0	0.0	Accrued Interest excluded	0.0	0.0
1.9	77.8	Total Investments	1.9	85.9

Liquidity risk

Liquidity risk is the possibility that the County Council might not have funds available to meet its commitments to make payments. This is managed through our Treasury Management Strategy.

The maturity analysis of financial liabilities (loans) is as follows:

31 March 2023		31 March 2024
£m		£m
119.1	Maturing within one year	155.6
46.9	Maturing in 1-2 years	38.3
33.6	Maturing in 2-5 years	36.1
47.8	Maturing in 5-10 years	47.0
288.0	Maturing in more than 10 years	278.4
535.5	Total	555.4

17. Long term investments

31 March 2023		31 March 2024
£m		£m
1.9	Malvern Hills Science Park	1.9
1.9	Total	1.9

17.1 Malvern Hills Science Park

Malvern Hills Science Park is a limited company established by the County Council with its partners Malvern Hills District Council and the Hereford and Worcester Chamber of Commerce and Enterprise. The County Council holds 9 voting shares out of a total issue of 100; this has been judged not to give the County Council a controlling influence. In addition, the County Council holds Preference shares of 957,103 shares (957,103 in 2021/22) and 6,190 P2 shares (6,190 2021/22). The preference shares carry no voting rights. These are the only Level 3 investments held by the County Council. The County Council's investment, measured at fair value in 2023/24, is £1.9 million (2022/23 £1.9m). This is shown on the Balance Sheet as a Long-Term investment, and the asset is held at Fair Value Through Profit and Loss (included in note 16.2). The value of the shares has been reviewed following publication of the Company's 2022/23 accounts. There is one Cabinet member on the Board.

18. Debtors

Debtors are recognised on the Balance Sheet when the County Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently at amortised cost.

31 March 2023		31 March 2024
£m		£m
Long term debtors:		
4.2	Trade receivables	8.0
98.2	Capital loans and advances	93.4
102.4		101.4
Short term debtors:		
62.6	Trade receivables	55.4
14.2	Prepayments	5.6
8.4	VAT	15.2
18.7	Council Tax	19.2
2.7	NNDR	3.5
0.0	Other receivables	0.0
106.5		98.9
208.9	Total debtors	200.4

The County Council does not generally allow credit for trade receivables debtors, however £18.9 million of balances are past due date for payment and can be analysed as follows. The current impairment allowance for trade debtors in the Balance Sheet is £10.5 million (£5.4 million for general Trade Debtors and £5.1 million for Fairer Charging Clients), an increase of £4.3 million on the March 2023 figure.

	£m
One to three months	3.9
Three to six months	2.4
Six months to one year	1.7
More than one year	10.9
Total	18.9

19. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The County Bank current account is shown as a credit balance (liability) at balance sheet date – this is not an overdrawn position – it reflects a timing difference between the balance sheet balance and bank balance which is part of our usual bank reconciliation process.

	Opening Balance 01/04/2023	Movement During the Year	Closing Balance 31/03/2024
	£m	£m	£m
Bank current accounts (asset)	6.1	(4.1)	2.0
Bank current accounts (liabilities)	(16.8)	3.7	(13.1)
Short Term investments held as cash	65.8	13.4	79.2
Total cash and cash equivalents	55.1	12.9	68.0

20. Creditors

Creditors are recognised on the Balance Sheet when the County Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently at amortised cost.

31 March		31 March
2023		2024
£m		£m
Short-term creditors		
(39.7)	Trade payables	(51.6)
(6.8)	Receipts in Advance	(9.4)
(6.3)	Employee Leave Accrual	(3.1)
(20.1)	Council Tax	(18.3)
(0.9)	NNDR	(0.6)
(7.5)	Other payables	(7.9)
(81.3)	Total creditors	(91.0)

21. Other long-term liabilities

2022/23		2023/24
£m		£m
(144.8)	PFI liabilities	(138.7)
0.0	Net defined benefit surplus/(deficit)	0.0
(1.7)	Teachers' Pension scheme Added year surplus/(deficit)	(1.7)
(146.4)	Other Long-term Liabilities	(140.4)

22. Grants and contributions receipts in advance

31 March 2023		31 March 2024
28.2	Section 106 Town and Country Planning Act 1990	36.5
2.2	Section 278 Highways Act 1980	2.3
0.2	Short-term Grants Received in Advance	0.3
30.6		39.1

23. Cash activities

23.1 Operating activities

2022/23		2023/24
£m		£m
The surplus/deficit on the provision of services has been adjusted for the following non-cash movements		
53.5	Depreciation	58.0
2.5	Downward revaluations	3.8
0.0	Amortisation	0.0
1.0	(Increase) / decrease in impairment for bad debts	(4.3)
(17.3)	(Decrease) / Increase in creditors	9.5
(19.5)	(Increase) / decrease in debtors	8.9
63.8	Movement in pension liability/asset	0.1
(0.3)	(Increase)/ decrease in Inventories	(0.3)
14.6	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	44.5
(0.6)	Other non –cash items	24.5
97.7		144.7
The surplus/deficit on the provision of services has been adjusted for the following items that are investing or financing activities		
(11.2)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5.9)
(56.9)	Any other items for which the cash effects investing of financing cash flows	(99.9)
(68.1)		(105.8)

23.2 Investing activities

2022/23	2023/24
£m	£m
(91.0) Purchase of property, plant & equipment and intangible assets	(82.0)
(173.9) Purchase of short-term & long-term investments	(209.9)
6.4 Other payments for investing activities	6.0
11.2 Proceeds from the sale of property, plant & equipment and intangible assets	5.9
181.9 Proceeds from short-term & long-term investments	186.2
62.6 Other receipts from investing activities	99.9
(2.8) Net cash flows from investing activities	6.1

Other receipts from investing activities (£99.9 million) are represented by Capital Grants of £99.9 million.

23.3 Financing activities

2022/23	2023/24
£m	£m
101.0 Cash receipts of short-term & long-term borrowing	132.3
0.0 Other receipts from financing activities	0.0
(10.3) Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-Balance Sheet PFI contracts	(6.1)
(54.1) Repayments of short and long-term borrowing	(103.4)
36.6 Net cash flows from financing activities	22.8

23.4 Interest Received and Paid

2022/23		2023/24
£m		£m
0.9	Interest received	2.1
(28.6)	Interest paid	(26.0)

24. Officers' remuneration

Short-term employee benefits, including wages and salaries, paid annual and sick leave for current employees, are recognised as an expense in the year in which the service is provided to the County Council.

24.1 Remuneration over £50,000 per annum

All amounts paid to or receivable by County Council employees, including salary, expenses allowances and compensation for loss of employment, where this total is more than £50,000 are given in the table below. Senior Officer remuneration are excluded and reported separately.

2022/23	2022/23	2022/23	Total Remuneration to Employees	2023/24	2023/24	2023/24
Teachers	Non-Teachers	Total		Teachers	Non-Teachers	Total
75	96	171	£50,000 to £54,999	89	76	165
51	42	93	£55,000 to £59,999	41	29	70
36	24	60	£60,000 to £64,999	43	27	70
18	24	42	£65,000 to £69,999	36	25	61
23	10	33	£70,000 to £74,999	15	9	24
13	2	15	£75,000 to £79,999	20	0	20
8	0	8	£80,000 to £84,999	12	1	13
5	3	8	£85,000 to £89,999	6	3	9
0	9	9	£90,000 to £94,999	4	1	5
7	4	11	£95,000 to £99,999	2	4	6
0	1	1	£100,000 to £104,999	2	5	7
0	2	2	£105,000 to £109,999	1	1	2
0	1	1	£110,000 to £114,999	1	1	2
0	1	1	£115,000 to £119,999	0	1	1
0	1	1	£120,000 to £124,999	0	1	1
0	1	1	£125,000 to £129,999	1	0	1
0	0	0	£130,000 to £134,999	0	2	2
0	1	1	£135,000 to £139,999	0	0	0

2022/23 Teachers	2022/23 Non-Teachers	2022/23 Total	Total Remuneration to Employees	2023/24 Teachers	2023/24 Non-Teachers	2023/24 Total
0	1	1	£140,000 to £144,999	0	1	1
0	0	0	£145,000 to £169,999	0	0	0
0	0	0	£170,000 to £174,999	0	0	0
0	0	0	£175,000 to £179,999	0	0	0
0	0	0	£180,000 to £184,999	0	0	0
0	1	1	£185,000 to £189,999	0	0	0
0	0	0	£190,000 to £194,999	0	0	0
0	0	0	£195,000 to £199,999	0	1	1
236	224	460		273	188	461

24.2 Senior employees' remuneration

Senior employees are defined as those whose salary is more than £150,000 per annum, and those employed in statutory chief officer posts or who report directly to the Chief Executive.

Post Title		Salary	National Insurance	Expense allowances	Pension Contributions	Total	Position start date	Position end date
		£	£	£	£	£		
Chief Executive, Paul Robinson	2023/24	196,633	25,880	82	34,018	256,612		
	2022/23	188,526	26,057	35	35,337	249,955		
Director of Children's Services^	2023/24	151,276	19,621	117	25,868	196,881		
	2022/23	140,989	19,236	781	26,450	187,456		
Director of Economy & Infrastructure	2023/24	144,388	18,664	0	24,979	188,030		
	2022/23	138,435	18,750	0	25,948	183,133		
Director of Commercial & Change	2023/24	136,576	15,523	0	21,034	173,133		

Post Title		Salary	National Insurance	Expense allowances	Pension Contributions	Total	Position start date	Position end date
	2022/23	129,680	16,654	127	23,383	169,844		
Director of Public Health	2023/24	118,499	14,686	0	19,984	153,169		
	2022/23	77,764	9,997	23	13,914	101,748		
Chief Financial Officer	2023/24	90,464	11,438	105	15,650	117,658	19.06.2023	
	2022/23	106,448	14,197	258	19,953	140,856		12.03.2023
Interim Chief Financial Officer	2023/24	22,527	2,900	0	3,897	29,324	13.03.2023	18.06.2023
	2022/23	4,949	615	0	928	6,492		
Assistant Director Legal & Governance	2023/24	110,465	13,989	0	19,110	143,565		
	2022/23	116,980	12,105	0	11,449	140,534		
Director of People	2023/24	134,129	17,255	4	23,204	174,592		
	2022/23	192,733	25,514	0	36,127	254,374		
Assistant Director for HR OD & Engagement	2023/24	100,423	12,603	0	17,373	130,399		
	2022/23	96,283	12,655	0	18,048	126,985		
Total	2023/24	1,205,380	152,559	308	205,117	1,563,363		
	2022/23	1,091,555	142,510	1,224	192,561	1,427,900		

25. Termination benefits and exit packages

This discloses both exit packages for employees who have left the County Council in 2023/24 and any provisions for packages which have been agreed on or before the balance sheet date where the employee will leave at a future date. The cost includes redundancy costs, costs of pension added years and any other departure costs. Termination Benefits are charged in the year in which they are paid or on an accrual basis if appropriate.

Where enhancement of retirement benefits is made the amount charged is the amount payable by the County Council to the Pension Fund or pensioner in the year.

2022/23 Total number of exit packages	2022/23 Total cost of exit packages £m	Exit package cost band (including redundancy, pension strain, and settlement payments)	2023/24 Total number of exit packages	2023/24 Total cost of exit packages £m
44	0.3	£0 - £20,000	90	0.7
8	0.2	£20,001 - £40,000	32	0.9
0	0.0	£40,001 - £60,000	7	0.3
1	0.1	£60,001 - £80,000	7	0.5
0	0.0	£80,001 - £100,000	3	0.2
0	0.0	£100,001 - £150,000	7	0.8
0	0.0	£150,001 - £200,000	1	0.2
0	0.0	£200,001 - £250,000	0	0.0
0	0.0	£250,001 - £300,000	2	0.5
0	0.0	£300,001 - £350,000	0	0.0
0	0.0	£350,001 - £400,000	0	0.0
53	0.6	Total Termination Packages	149	4.1

26. Related parties

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

26.1 UK Central Government

The UK Central Government has significant influence over the general operations of the County Council. It is responsible for providing the statutory framework within which the County Council works, provides funding in the form of grants (note 6 refers), and sets the terms of many of the relationships that the County Council has with other organisations.

26.2 Elected Members

Elected members of the County Council have direct control over the County Council's financial and operating policies. A total of £1.0 million allowances and expenses were paid to members in 2023/24 (2022/23 £1.0 million). Elected members of the County Council may be involved with other local organisations that provide services for or receive services from the County Council. Transactions for these organisations have been reviewed and there are no related party disclosures to be made for elected members.

26.3 Officers

Officers of the County Council may be involved with other local organisations that provide services for or receive services from the County Council. Transactions for these organisations have been reviewed and there are no related party disclosures to be made for officers.

26.4 Section 75 Framework Partnership Agreements

The County Council has an integrated commissioning unit with Health through a Section 75 arrangement including the Better Care Fund (details given in note 7). Monitoring is through the Integrated Commissioning Executive Officers Group (ICEOG) and agreed and controlled through the Clinical Commissioning Group Board and the Health and Wellbeing Board.

26.5 Worcestershire County Council Pension Fund

At the year-end the County Council charged the Pension Fund £2.4 million (2022/23 £1.8 million) for expenses incurred in administering the Pension Fund. Further details are given in the Defined Benefit Pension Scheme notes.

26.6 West Mercia Energy Joint Committee

The County Council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the County Council is one of four constituent authorities, alongside Shropshire Council, Herefordshire Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The County Council spent £3.7 million with WME in 2023/24 (2022/23 £3.3 million) and this is reflected in the Comprehensive Income and Expenditure Statement.

26.7 Place Partnership Limited

Place Partnership Limited was a single asset management company co-owned by the County Council, Hereford & Worcester Fire Authority, Warwickshire Police and West Mercia Police and each party had equal shares and equal voting rights.

Place Partnership Limited ceased to trade on 31 March 2021 and services relating to the County Council were transferred in house. A notice of appointment of liquidator was filed with Companies House on 14 April 2022. No further costs are expected to be incurred by the partners.

26.8 Severn Arts

Severn Arts is a Private Company Limited by Guarantee that provides education in music and the Arts within Worcestershire. The County Council appoints one out of the ten trustees. This is a Related Party because the trustee appointed is a key management personnel of the County Council.

The company commenced trading on 1st June 2018, after a transfer of service provision and assets from the County Council. As part of the transfer, the County Council loaned Severn Arts £0.4 million, which is to be paid back in monthly instalments over 7 years with 4.78% interest per annum. There is a loan balance of £0.3 million outstanding at 31 March 2024 (2022/23 £0.3 million).

26.9 Worcestershire Children First

Worcestershire Children First is a Private Limited Company by Guarantee without share capital and is 100% owned and controlled by Worcestershire County Council. The company was incorporated on 4th July 2018 and commenced trading on 1st October 2019. The company is principally engaged in the provision of social care and educational services for children and families across Worcestershire. The company has been identified as a subsidiary as it is 100% owned by the Council, and therefore the Council is deemed to have single control. Group Accounts have been prepared because the subsidiary is assessed to be material.

In 2023/24, the Council spent £145.3 million (2022/23 £148.8 million) on services from the company and received £7.9 million (2022/23 £8.3 million) in income from the provision of support services. This is reflected in the single entity Comprehensive Income and Expenditure Statement. There is a debtor of £3.5 million (2022/23 £3.1 million) and a creditor of £4.9 million (2022/23 £2.0 million) outstanding at 31 March 2024 and these balances are included in the single entity Balance Sheet.

The company's Board includes two Directors who are employed by the Council and two Elected members of the Council; these individuals did not receive any remuneration from the company during the year. One of the two Directors employed by WCC worked in a senior role for WCF for part of the financial year alongside their role in WCC. WCC invoiced WCF for a portion of the salary costs for this individual.

26.10 Tickenhill Trust

Worcestershire County Council is sole trustee for the Tickenhill Collection, registered charity 527509. This collection of rural life artefacts are managed by the Joint Museums Committee with Worcester City Council. The Trust has no income or expenditure, and therefore is not included in the Council's Comprehensive Income and Expenditure Statement. The assets are included on the Council's balance sheet under Heritage Assets.

27. Leases

27.1 The County Council as lessee – operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight-line basis over the life of the lease.

The County Council's outstanding obligations under lease agreements as at 31 March 2024 totalled £8.4 million (31 March 2023 £14.1 million).

2022/23	2023/24
£m	£m
1.2 Leases expiring in less than 1 year	1.0
3.6 Leases expiring between 1 and 5 years	3.2
9.3 Leases expiring in 5 years+	4.2
14.1	8.4

Operating lease payments of £0.7 million were charged to the Comprehensive Income and Expenditure Statement in 2023/24.

2022/23	2023/24
£m	£m
1.2 Minimum lease payments	1.1
0.0 Contingent rents	0.1
0.0 (Sublease payments receivable)	(0.2)
1.2	1.0

27.2 The County Council as lessor – operating leases

Where an asset is leased by the County Council to a third party as an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

The County Council's outstanding obligations under lease arrangements as at 31 March 2024 totalled £7.6 million (31 March 2023 £7.7 million).

2022/23		2023/24
£m		£m
1.9	Leases expiring in less than 1 year	2.2
3.7	Leases expiring between 1 and 5 years	3.8
2.1	Leases expiring in 5 years+	1.6
7.7		7.6

Contingent rents of £2.4 million were received in 2023/24.

2022/23		2023/24
£m		£m
1.4	Contingent rents	2.4
1.4		2.4

28. External audit costs

2022/23		2023/24
£m		£m
0.1	Fees payable regarding external audit services	0.3
0.0	Fees incurred for certification work undertaken by the external auditor	0.0
0.1	Total current year fees	0.3
Fees Relating to prior years		
0.0	Fees payable regarding external audit services	0.1
0.0	Expected additional fees for external audit services	0.0
0.0	Fees incurred for certification work undertaken by the external auditor	0.0
0.0	Total prior year fees	0.1
0.1	Total external audit fees	0.4

This note shows all external audit fees which were recorded on the ledger in 2023/24. Anticipated fees for 2023/24 were £305,419 and were accrued on that basis. Finalised fees for 2022/23 were £140,000 of which £71,000 was recorded in 2023/24 expenditure.

29. Short term investments

31 March 2023	31 March 2024
£m	£m
0.3 Short term investments	0.6
0.3 Total	0.6

30. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, where a reasonable estimate of the amount can be made but where the timing of the transfer is uncertain or there is uncertainty of the amount.

Provisions are charged to the appropriate service revenue account in the year that they are recognised and are detailed in the notes to the accounts. Expenditure incurred on items for which the provision was originally set up is charged directly to the provision. The level of each provision is reviewed at the balance sheet date. Provisions that are no longer required will be credited back to the original service revenue account from where the provision was created.

The table below shows the total provision and the timing of the expected outflow of economic benefits.

31 March 2023	31 March 2024	Not later than one year	Later than one year and not later than five years	Later than five years	Total Provision
£m	£m	£m	£m	£m	£m
(1.3) Provision for NNDR Appeals	(1.5)	(0.0)	(1.5)	(0.0)	(1.5)
(0.2) Other Provisions	(0.9)	(0.0)	(0.9)	(0.0)	(0.9)
(1.5) Total	(2.5)	(0.0)	(2.5)	(0.0)	(2.5)

NNDR Appeals

Provision definition - As a result of an event which has happened a probable future liability (future requirement to pay out money) is created. This payment may be uncertain in timing or amount, but it should be possible to make a reliable estimate. WCC as precepting authority discloses a provision for its share of the provision calculated by the billing authorities (districts) for the likely costs of backdated NNDR appeals.

Other Provisions

Other provisions included under this heading are made in consideration of likely outflow of economic benefits in respect of loan write-offs and contract disputes. In 2023/24, an additional £0.7m provision was made on the advice of external solicitors for an ongoing contractual dispute which commenced in 2023/24.

31. Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is approved. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

The financial statements have not been adjusted for the following events which took place after 31 March 2024; they provide information relevant to the Council's financial position but do not relate to conditions existing at that date.

Non-adjusting events

At the date of publication of the accounts, there are no non-adjusting events to disclose.

Academy Conversions

At the date of publication of the accounts, 3 schools have converted to academy status since 31 March 2024. Schools which convert after the reporting period are non-adjusting events and are reported below for information.

Name of School	Date of Conversion	Asset value at 31 March 2024
		£m
Catshill First School	01/04/2024	3.3
Catshill Middle School	01/04/2024	7.9
Holywell Primary and Nursery School	01/04/2024	7.0

32. Accounting standards issued but not yet adopted

The County Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

IFRS 16: Leases

IFRS 16 will require local authorities that are lessees to recognise a lease on their balance sheet as a right-of-use asset with a corresponding lease liability (there are exemptions for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024, and this implementation date was confirmed in a recent CIPFA/LASAAC statement. The County Council has set up a project group to manage the implementation of IFRS16 and work is ongoing to assess the impact of the change.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.

The amendments:

- Specify that an entity's right to defer settlement must exist at the end of the reporting period.
- Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
- Clarify how lending conditions affect classification, and
- Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

This accounting standard is not expected to have any significant impact for the Council.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions This accounting standard is not expected to have any significant impact for the Council.

Non-current liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. This accounting standard is not expected to have any significant impact for the Council.

International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.

Pillar Two applies to multinational groups with a minimum level of turnover. This accounting standard is not expected to have any significant impact for the Council.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 17) issued in May 2023.

The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it

This accounting standard is not expected to have any significant impact for the Council.

33. Prior Period Adjustments

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Change 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. There have been no changes to prior period figures in the preparation of these financial statements.

34. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Balance Sheet at 31 March 2024 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant & equipment - valuations	The Council's external valuers provide valuations at 31 March based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.	<p>Valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions is limited.</p> <p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure the value of the Council's assets are not materially misstated.</p> <p>A variation of 5% in the value of the Council's Land & Building assets (Net Book Value at 31 March 2024 of £487.2 million) would be approximately £24.4 million.</p> <p>A variation of 5% in the value of the Council's Energy from Waste asset, included in Vehicles, Plant, Furniture & Equipment, (Net Book Value at 31 March 2024 of £99.9 million) would be approximately £5.0 million.</p> <p>A variation of 5% in the value of the Council's Surplus assets (Net Book Value at 31 March 2024 of £38.5 million) would be approximately £1.9 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the Comprehensive Income and Expenditure Statement and/or increase to the Revaluation Reserve and/or gains charged to the Comprehensive Income and Expenditure Statement.</p>
Pension Liability/Asset	The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of actuaries (Hymans	The effect on the net pension liability (£0.0 million at 31 March 2024) of changes in individual assumptions can be measured. For instance:

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>Robertson) is engaged to provide the Council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<ul style="list-style-type: none"> • An increase of 0.1% in the discount rate assumption would increase the value of the net pension liability by approximately £19.9 million. • An increase of 0.1% in the pension increase rate assumption would decrease the value of the net pension liability by approximately £19.3 million. • An increase of 0.1% in the assumed pay assumption would increase the value of the net pension liability by approximately £1.0 million. • An increase of one year assumed in life expectancy would increase the value of the net pension liability by approximately £46.4 million. <p>Further information is included in the Defined Benefit Pension Scheme notes.</p>
Credit Loss Allowances	<p>The value of outstanding debtors in the accounts is reduced by an allowance for nonrecovery of debts, based on the experience that it is not economic or possible to recover all debt.</p> <p>The Council operates a policy of making an allowance for debt secured by legal charge against property, where checks have provided a high degree of certainty that the debt will be recoverable.</p>	<p>The current (balance sheet date) amount of provision for irrecoverable debts is £10.5m. This reduces the debtors figure on the balance sheet. Any debt deemed as irrecoverable over and above this allowance will be charged to service expenditure. Each 1% increase in the level of bad debt requiring write off will give an additional cost of £0.105 million.</p>
Provision for NNDR appeals	<p>The value of National Non Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions, including backdating.</p> <p>Estimates have been calculated by billing authorities, using information from the Valuation Office on outstanding appeals and experience of successful appeal rates.</p> <p>The Council's provision is based on its share of the income lost on successful appeals.</p>	<p>Each 1% increase in the value of appeals that is provided for would give an additional cost of £0.015 million.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurement	<p>When the fair value of financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques:</p> <ul style="list-style-type: none"> • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the Balance Sheet date; • For Level 3 inputs, valuations based on most recent valuations adjusted using indexation and impairment review as appropriate. 	<p>Where the fair value of financial instruments is measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the Balance Sheet date. All valuations are undertaken by expert valuers in accordance with methodologies and bases for estimation set out in the professional standards.</p> <p>As most estimates are based on current market information, material changes to the carrying values are not expected.</p> <p>Significant changes in any of the unobservable inputs could result in a significantly lower or higher fair value measurement for these assets.</p>

35. Pension Schemes

Post-employment benefits include pensions and retirement lump sums. Employees of the County Council may be members of:

- The Local Government Pensions Scheme (a defined benefit scheme), administered by the County Council under national regulations;
- The Teachers' Pension Scheme (a defined benefit scheme), administered by the Teachers' Pensions Agency on behalf of the Department for Education; or
- The NHS Pension Scheme (a defined benefit scheme), administered by the Department of Health.

35.1 Defined benefit pension schemes

Teachers' Pension Scheme

The Teachers' Pension Scheme 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.

In 2023/24 the County Council paid £16.6 million (2022/23 £16.1m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 23.7% (2022/23 23.7%) of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to teachers' added years it has awarded, together with the related increases. In 2023/24 these amounted to £0.2 million (2022/23 £0.2m), representing 0.3% (2022/23 0.3%) of pensionable pay. The County Council's Actuary has calculated a long-term liability of £1.75 million in respect of these payments that will decline over time and this is included in the balance sheet under other long-term liabilities.

NHS Pension Scheme

The NHS pension scheme is a defined benefit scheme administered by the NHS Superannuation Scheme.

In 2023/24 the County Council paid £0.1 million (2022/23 £0.1m) to the NHS Superannuation Scheme, which represents 14.4% (2022/23 14.4%) of NHS pensionable pay.

Defined benefit pension schemes

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

- The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis.
- The assets of the Pension Fund attributable to the County Council are included in the Balance Sheet at their fair value.

In relation to retirement benefits the General Fund is charged with the amount payable by the County Council to the Pension Fund or directly to pensioners in the year, not the amount calculated by the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows and not as benefits are earned by employees.

The County Council administers and participates in the Worcestershire County Council Pension Fund. Retirement benefits are determined independently of the investments of the Pension Fund, and the County Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The County Council and participating employees pay contributions into the fund which are calculated at a level intended to balance pension's liabilities with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme. As the statutory Administering Authority and Scheme Manager for the Fund, the County Council is responsible for ensuring effective stewardship of the Pension Fund's affairs. The County Council has established a Pension Committee to discharge its responsibility for the management of the administration of the Pension Fund. Policy is determined in accordance with the Pensions Fund Regulations. The management of the Pension Fund's assets is operated through thirteen specialist external managers.

The three principal risks to the scheme are:

- Market risk (volatility in stock prices, increase in interest rates and fluctuations in currency exchange rates);
- Credit risk where a borrower does not make payments as promised; and
- Liquidity risk, in that a given security or asset cannot be traded quickly enough in the market.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Court of Appeal decision on the 28 June 2019 in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The County Council's actuary has included a calculation for the anticipated impact of the judgement on the pensions' liability. The additional costs are sensitive to the assumptions made. Relevant entries are included below as McCloud judgement liability.

35.2 Transactions relating to post-employment benefits

The County Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge against the council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund 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:

2022/23	2023/24
£m	£m
Comprehensive Income & Expenditure Statement	
Cost of services:	
54.1 Current service cost	24.8
0.0 Current service cost – McCloud judgement	0.0

2022/23	2023/24
0.1 Past service cost	0.1
0.1 Settlements and curtailments	0.0
Other Operating Expenses	
0.5 Administration expenses	0.6
Financing & investment income & expenditure	
43.6 Interest on Pensions Liabilities	53.5
(31.5) Interest on Pensions Assets	(56.4)
66.9 Total post-employment benefit charged to the surplus or deficit on the Provision of Services	22.6
Re-measurement of the net defined liability charged to the Comprehensive Income & Expenditure Statement	
0.0 Adjust for prior-year impact of IFRIC 14 consideration	(34.2)
(36.9) Return on Plan assets (excluding the amount included in net interest expense)	(90.5)
166.0 Actuarial (gain) / loss arising on changes in experience	10.1
(637.2) Actuarial (gain) / loss arising on changes in financial assumptions	(20.3)
(25.6) Actuarial (gain) / loss arising on changes in demographic assumptions	(18.2)
(0.5) Increase/(Decrease) in Teacher's Pension Liability	0.1
34.2 Adjustment for impact of IFRIC 14 consideration	155.4
(433.1) Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	25.0
Movement in Reserves Statement	
(67.0) Reversal of net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code of Practice	23.1

2022/23	2023/24
Actual amount charged against the General Fund Balance for pensions in the year:	
29.6 Employer's contributions payable to the scheme	25.1

35.3 Pension gains and losses charged to the Comprehensive Income and Expenditure Statement

2022/23	2023/24
£m	£m
36.9 Return on Plan Assets (excluding the amount included in net interest expense)	90.5
(166.0) Actuarial gain / (loss) arising on changes in experience	(10.1)
637.2 Actuarial gain / (loss) arising from changes in financial assumptions	20.3
25.6 Actuarial gain / (loss) arising on changes in demographic assumptions	18.2
0.0 Adjustment for prior-year impact of IFRIC 14 consideration	34.2
(34.2) Adjustment for impact of IFRIC 14 consideration	(155.4)
0.5 (Increase)/decrease in Teachers Pension Liability	(0.1)
500.0 Total gain / (loss)	(2.4)

35.4 Pension assets and liabilities recognised in the Balance Sheet

2022/23	2023/24
£m	£m
(1,144.7) Present value of liabilities	(1,160.8)
1,144.74 Fair value of assets (following adjustment for IFRIC 14)	1,160.8
0.0 (Deficit) / Surplus in the scheme	0.0

Statutory arrangements for funding pension fund deficits mean that the financial position of the County Council is consistent with previous financial years. Any deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are paid.

35.5 Liabilities and assets in relation to post-employment benefits (Local Government Pension Scheme)

This table gives detail of the assets and liabilities as calculated by the County Council's actuary. The financial assumptions included are based on yield assumptions on corporate bonds and are impacted by the duration of our employee liabilities. Increases in benefits and pensions included in these assumptions are based on CPI. Salary growth assumptions are based on long-term "real" salary inflation assumptions. Further information is given in note 34.7 which breaks down the fund investment assets, note 34.8 which provides the underlying assumptions for calculations included and note 34.10 which estimates the impact of any sensitivities in these assumptions.

Reconciliation of present value of the scheme liabilities:

2022/23	2023/24
£m	£m
(1,566.6) Opening balance at 1 April	(1,144.7)
(54.1) Current service cost	(24.8)
(43.6) Interest cost	(53.5)
(8.4) Contributions by scheme participants	(9.1)
Remeasurement (gains) and losses:	
(166.0) Actuarial gain / (loss) arising on changes in experience	(10.1)
630.9 Actuarial gain / (loss) arising on changes in financial assumptions	20.3
25.6 Actuarial gain / (loss) arising on changes in demographic assumptions	18.2

2022/23	2023/24
37.7 Benefits paid	41.6
0.0 Business combinations	0.0
(0.1) Past service cost – McCloud Judgement	(0.1)
(0.1) Curtailments	0.0
0.0 Settlements	1.4
(1,144.7) Closing balance at 31 March	(1,160.8)

Reconciliation of fair value of the scheme assets:

2022/23	2023/24
£m	£m
1,137.2 Opening balance at 1 April	1,144.7
0.0 Adjust for impact of prior-year IFRIC 14 consideration	34.2
31.5 Interest Income	56.4
36.9 Return on plan assets, excluding the amount included in the net interest expense	90.5
(0.5) Administration expenses	(0.6)
3.2 Employer contributions	25.1
0.0 Business combinations	0.0
8.4 Contributions by scheme participants	9.1
(37.7) Benefits paid	(41.3)
0.0 Settlements	(1.9)
(34.2) IFRIC 14 Adjustment	(155.4)
1,144.7 Closing balance 31 March	1,160.8

35.6 Pensions Reserve

2022/23	2023/24
£m	£m
(458.0) Balance at 1 April	(1.7)
0.0 Adjust for impact of prior-year IFRIC 14 consideration	34.2
36.9 Return on Plan assets (excluding the amount included in net interest expense)	90.5
(166.0) Actuarial gain / (loss) arising on changes in experience	(10.1)
630.9 Actuarial gain / (loss) arising on changes in financial assumptions	20.3
(34.2) Adjustment for impact of IFRIC 14	(155.4)
25.6 Actuarial gain / (loss) arising on changes in demographic assumptions	18.2
0.0 Business combinations	0.0
(67.0) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(23.1)
3.2 Employer's pensions contributions & direct payments to pensioners payable in the year	25.1
26.3 Employer's pension contributions – prepayment adjustment	0.0
0.0 Unfunded Benefits Paid	0.3
0.5 Decrease in Teachers Pension Liability	(0.1)
(1.7) Balance at 31 March	(1.7)

35.7 Local Government Pension Scheme assets

2022/23		Quoted	2023/24
£m		(Y/N)	£m
Equities:			
1.2	UK Quoted	Y	778.8
263.4	Overseas quoted	Y	0.0
148.3	Pooled Investment Vehicle – UK Managed Funds	N	0.0
430.1	Pooled Investment Vehicle – UK Managed Funds – (overseas equities)	N	0.0
8.6	Pooled Investment Vehicle – Overseas Managed Funds	N	139.5
Bonds:			
0.0	UK Corporate	-	0.0
0.0	Overseas Corporate	-	0.0
0.0	Other Bonds	Y	26.0
16.3	UK Government Fixed	Y	0.0
14.2	LGPS Central Global Pooled Funds	Y/N	0.0
0.0	Overseas Government	-	0.0
Property:			
0.0	European Property Fund	N	0.0
12.7	UK Property Debt	N	0.0
8.4	Overseas Property Debt	N	0.0
80.2	UK Property Fund	N	70.5
0.0	Overseas REITS	N	34.7
Alternatives:			
68.5	UK Infrastructure	N	230.0
45.7	European Infrastructure	N	0.0
38.1	US Infrastructure	N	0.0

2022/23	Quoted	2023/24
6.1 US Stock Options	N	0.0
(3.0) Overseas Stock Options	N	0.0
22.8 Corporate Private Debt	N	0.0
0.0 Other	N	14.4
Cash:		
0.9 Cash Instruments	N	0.0
8.0 Cash Accounts	N	0.0
8.5 Net Current Assets	N	22.4
1,178.9 Total		1,316.2

It should be noted that the total assets listed in Note 35.7 have not been reduced for the impact of IFRIC 14, therefore the total is different to that in Note 35.5

35.8 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson Ltd, an independent firm of actuaries, and estimates for the County Council fund are based on the latest full valuation of the scheme as at 31 March 2023, with an effective date of 1 April 2024. The principal assumptions used by the actuary are:

2022/23	2023/24
Mortality assumptions	
Longevity at 65 for current pensioners (years):	
22.0 Men	21.3
24.2 Women	23.6
Longevity at 65 for future pensioners (years):	
23.3 Men	22.6
26.1 Women	25.5
Financial assumptions	
2.7% Rate of CPI inflation	2.8%
4.2% Rate of increase in salaries	4.3%
2.8% Rate of increase in pensions	2.8%
4.8% Rate for discounting scheme liabilities	4.9%

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 the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. 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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

35.9 Assumptions made about the future and estimate uncertainties

Item	Uncertainties	Effect if actual results differ from assumptions
Property and infrastructure valuations (Level 3 investments)	<p>The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of geopolitical issues upon these illiquid assets as well as the concerns as to the current inflationary environment. The valuations have been updated based on the information available as at 31 March 2024 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date</p>	<p>The total value of indirect property investments in the financial statements is £331.3m (£323.6m in 2022/23). There is a risk that this investment may be under or overstated in the accounts.</p> <p>The total value of direct infrastructure investments in the financial statements is £561.1m (£511.8m in 2022/23). There is a significant risk of valuation updates resulting in a material adjustment in the carrying amount within the next financial year.</p>

35.10 Impact on the Defined Benefit Obligation in the Scheme (Liabilities)

	Increase in rate of	Increase/(decrease) in Assumption
		£m
Discount Rate	0.1%	(19.9)
Pension Increase Rate	0.1%	19.3
Pay	0.1%	1.0
Life Expectancy	1 year	46.4

35.11 Impact on the County Council's cash flows

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2022/23 17 years). The County Council anticipates payments of £24.9 million expected contributions to the scheme in 2024/25.

Independent Auditor's Report to the Members of Worcestershire County Council

Audit opinion to follow on completion of the audit.



Worcestershire County Council Group Accounts 2023/24

Group Accounts and Supporting Notes

Group Accounts

Introduction

In order to provide a fuller picture of the Council's economic activities and financial position, the accounting statements of the Council and Worcestershire Children First have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts where they are materially different from those of the Council's single entity accounts.

Results of Subsidiary

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) was successfully launched on 1st October 2019 and operational responsibility for the delivery of all of Children's services on behalf of Worcestershire County Council was transferred on that date.

For 2023/24, the company's (unaudited) results showed a profit for the year of £1 (one pound) and net assets of £1.1 million.

A full copy of the company's accounts can be obtained from the Directors, Worcestershire Children First, County Hall, Spetchley Road, Worcester WR5 2NP. The accounts are audited by Grant Thornton (UK) LLP.

Group Comprehensive Income and Expenditure Statement

2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
Expenditure	Income	Net		Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
0.0	(1.3)	(1.3)	Turnover	0.0	(3.0)	(3.0)
Service Expenditure Analysis						
342.9	(194.1)	148.8	People	390.1	(216.0)	174.1
465.0	(317.5)	147.5	Children's Services	506.0	(358.5)	147.5
114.8	(35.1)	79.7	Economy & Infrastructure	185.0	(42.1)	142.9
43.8	(0.2)	43.5	Commercial & Change	38.5	(9.4)	29.2
46.5	(24.5)	22.0	Finance, HR & Chief Executive	18.3	(13.4)	4.9
1,013.0	(572.7)	440.3	Net Cost of Services	1,137.9	(642.3)	495.5
5.4	(2.1)	3.3	Other operating expenditure	45.1	(1.2)	43.9
81.9	(40.9)	41.0	Financing, investment income & expenditure	79.5	(66.9)	12.6
0.3	(439.3)	(439.0)	Taxation & non-specific grant income and expenditure	0.3	(503.3)	(503.0)
1,100.6	(1,055.1)	45.5	(Surplus) / deficit on the provision of services	1,262.7	(1,213.7)	49.0
0.0	0.0	0.0	Tax expenses of subsidiary	0.0	0.0	0.0
		45.5	Group (surplus)/deficit			49.0
Other comprehensive income and expenditure						
		(92.3)	(Surplus) on revaluation of property, plant & equipment			(76.9)
		33.4	Downward revaluations on non-current assets charged to Revaluation Reserve			6.2
		(500.1)	Remeasurement of the net defined benefit liability/(asset)			(2.4)
		(559.0)	Total other comprehensive income and expenditure			(73.0)
		(513.5)	Total comprehensive income and expenditure (surplus) / deficit			(24.0)

Group Movement in Reserves Statement 2023/24

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2023	14.3	144.2	158.6	0.0	77.1	235.7	473.4	709.1	16.9	726.0
Movement in reserves during 2023/24:										
Total Comprehensive Income and Expenditure	(49.0)	0.0	(49.0)	0.0	0.0	(49.0)	73.0	24.0	0.0	24.0
Adjustments between group accounts and authority accounts	(5.9)	0.0	(5.9)	0.0	0.0	(5.9)	0.0	(5.9)	5.9	0.0
Net increase/ (decrease) before transfers	(54.9)	0.0	(54.9)	0.0	0.0	(54.9)	73.0	18.1	5.9	24.0
Adjustments between accounting basis and funding basis under regulations	(5.2)	23.3	18.1	0.0	43.4	61.5	(61.5)	0.0	0.0	0.0
Transfer to/(from) earmarked reserves	61.9	(61.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in 2023/24	1.8	(38.6)	(36.7)	0.0	43.4	6.7	11.5	18.1	5.9	24.0
Balance at 31 March 2024 carried forward	16.2	105.7	121.8	0.0	120.6	242.4	484.9	727.3	22.8	750.1

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

2022/23	2023/24
£m	£m
(5.6) Elimination of intra-group transactions	(5.9)
(5.6) Total adjustments between Group Accounts and Authority Accounts	(5.9)

Reconciliation between Retained Earnings in Worcestershire Children First's Statements and Closing Balance on Council's share of Reserves of subsidiary

2022/23	2023/24
£m	£m
1.1 Retained Earnings at 31 March	1.1
10.2 Accumulated consolidation adjustments at the start of the year	15.8
5.6 Consolidation adjustments during the year	5.9
16.9 Council's share of reserves of subsidiary	22.8

Group Movement in Reserves Statement 2022/23 comparison

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2022	14.3	157.7	172.0	2.7	63.5	238.3	(37.1)	201.2	11.3	212.5
Movement in reserves during 2022/23:										
Total Comprehensive Income and Expenditure	95.0	0.0	95.0	0.0	0.0	95.0	559.0	654.0	(140.5)	513.5
Adjustments between group accounts and authority accounts	(146.1)	0.0	(146.1)	0.0	0.0	(146.1)	0.0	(146.1)	146.1	0.0
Net increase/ (decrease) before transfers	(51.1)	0.0	(51.1)	0.0	0.0	(51.1)	559.0	507.9	5.6	513.5
Adjustments between accounting basis and funding basis under regulations	28.5	9.1	37.6	(2.7)	13.6	48.5	(48.5)	0.0	0.0	0.0
Transfer to/(from) earmarked reserves	22.5	(22.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in 2022/23	0.0	(13.4)	(13.4)	(2.7)	13.6	(2.6)	510.5	507.9	5.6	513.5
Balance at 31 March 2023 carried forward	14.3	144.2	158.6	0.0	77.1	235.7	473.4	709.1	16.9	726.0

Group Balance Sheet

31 March 2023		31 March 2024	31 March 2023		31 March 2024
£m		£m	£m		£m
1,226.0	Property, plant and equipment	1,279.3	(1.5)	Long-term provisions	(2.5)
1.7	Heritage assets	1.7	(416.4)	Long-term borrowing	(399.8)
0.0	Intangible assets	0.7	(130.6)	Other long-term liabilities	(118.7)
1.9	Long-term investments	1.9	(30.4)	Grants receipts in advance	(38.8)
102.4	Long-term debtors	101.4	(579.0)	Long-term liabilities	(559.9)
1,332.1	Long term assets	1385.0	726.0	Net assets	750.1
8.9	Assets Held for Sale	1.2			
0.3	Short-term investments	0.6		Financed by:	
1.7	Inventories	1.9	236.8	Usable reserves	243.5
110.9	Short-term debtors	97.8	489.2	Unusable reserves	506.6
83.2	Cash and Cash Equivalents	92.0	726.0	Total reserves	750.1
205.0	Current assets	193.5			
(119.1)	Short-term borrowing	(155.6)			
(95.8)	Short-term creditors	(99.7)			
(16.8)	Cash and Cash Equivalents	(13.1)			
(0.2)	Short-term grants receipts in advance	(0.3)			
(231.9)	Current liabilities	(268.7)			

Group Cash Flow Statement

2022/23	2023/24
£m	£m
(45.5) Net surplus/(deficit) on the provision of services	(54.9)
89.8 Adjust net (surplus)/deficit for non-cash movements	143.4
(68.5) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(105.8)
(24.2) Net cash flows from operating activities	(17.3)
(2.4) Net cash flows from investing activities	6.1
36.6 Net cash flows from financing activities	23.7
9.9 Net increase/(decrease) in cash or cash equivalents	12.5
Cash and cash equivalents	
56.5 Balance at 1 April	66.4
66.4 Balance at 31 March	78.9
9.9 Movement in cash and cash equivalents increase / (decrease)	12.5

Notes to the Group Accounts

1. Group boundary

Worcestershire Children First (WCF) is private limited company by guarantee and a 100% wholly owned subsidiary of Worcestershire County Council.

The company is a subsidiary of the Council for accounting purposes and its results have been consolidated into the Group Accounts on a line by line basis using the acquisition basis of consolidation.

2. Accounting policies

The financial statements of WCF have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Differences between these standards and the Code would have no material impact on the Group Statements.

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 issued by the Chartered Institute of Public Finance (CIPFA). In preparing the Group Accounts, the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments as necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full: balances, transactions, income and expenditure between the Council and its subsidiary.

The group accounting policies are not significantly different from those used to prepare the Council's single entity statements with the exception of the policy noted below:

- Pensions – the Group Accounts have been prepared incorporating the requirements of IAS19: Retirement Benefits for the treatment of pension costs. IAS19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employee rather than the year in which the pension and employer's contributions are actually paid. The Pension Reserve represents the net liability for future pension costs. The financial statements of WCF have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The financial position under FRS102 is not significantly different under IAS19.
- Debtors in the single entity financial statements are initially measured at fair value and then measured at amortised cost. Debtors in the financial statements of the subsidiary are initially measured at transaction price less attributable transaction costs and then subsequently at amortised cost.

3. Group short term debtors

31 March 2023		31 March 2024
£m		£m
	Short term debtors:	
66.5	Trade receivables	56.3
14.2	Prepayments	5.9
8.8	VAT	16.4
18.7	Council Tax	19.2
2.7	NNDR	3.5
0.0	Other receivables	0.0
110.9	Total short term debtors	101.3

4. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

	Opening Balance 01/04/2023	Movement During the Year	Closing Balance 31/03/2024
	£m	£m	£m
Bank current accounts	0.6	(0.9)	(0.3)
Short Term investments held as cash	65.8	13.4	79.2
Total cash and cash equivalents	66.4	12.5	78.9

Glossary of Terms

Accounting policies	The principles, rules and procedures used in the preparation of the accounts
Accruals	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid
Actuary	An independent company which advises on the assets and liabilities of the pension fund with the aim of ensuring that the payment of pensions and future benefits are met.
Admitted bodies	Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme, subject to certain terms and conditions, and other organisations to which Local Government employees have been transferred under the outsourcing of local government services
Agent	The County Council or other authority acting as an intermediary
Amortisation	The drop-in value of intangible assets as they become out of date
Asset	<p>A resource controlled by the County Council because of past events and from which economic benefits or service potential is expected. Assets can be:</p> <ul style="list-style-type: none">• Intangible – assets of non-physical form, e.g. patents, goodwill, trademarks and copyrights• Property, plant and equipment – assets which give the Council benefits for more than one year• Community – assets held in perpetuity which may have restrictions on their disposal• Infrastructure – assets such as highways and footways• Non-operational – assets not directly used for service provision• Heritage – assets held solely for historical, artistic, or environmental qualities
Assets under construction	Capital expenditure on assets where the work is incomplete
Augmentation	Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age
Billing authority	The local authority which collects Council Tax. In Worcestershire this is the district or borough council
Capital charge	A charge to services to reflect the cost of Property, Plant and Equipment used in the provision of services

Capital expenditure	Expenditure on acquisition or construction of assets which have a value to the authority for more than one year e.g. land and buildings
Capital financing costs	The costs of financing assets, being the interest costs of external loans and monies used to repay debt
Capital receipts	Income from the sale of capital assets
Commutation / commuting	Where a member of the pension scheme gives up part or all of their pension in return for an immediate lump sum. It is also called a cash option
Council tax precept	A property based tax which is set by the County Council and administered by district and borough councils
Creditors	Amounts owed by the County Council for work done, goods received or services provided but for which payment has not been made by the end of the accounting period
Current service cost	Officers employed during the year will have earned one or more years of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period
Custodian	The organisation that holds and safeguards the Pension Fund assets
Debtors	Amounts due to the County Council for work done, goods received or services provided but which remain unpaid by the end of the accounting period
Dedicated Schools Grant (DSG)	A central government grant paid to the County Council for use for expenditure on schools.
Deferred pension benefit	A pension benefit which a member of the fund has accrued but is not yet entitled to receive payment
Depreciation	The fall in value of an asset, as recorded in the financial records, due to wear and tear, age or obsolescence
Derivative	A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity bond, equity or currency. Examples of derivatives include futures and options
Effective Interest rate (EIR)	The rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument. When calculating the EIR, the County Council shall estimate cash flows considering all contractual terms of the financial instrument

Equities	Shares representing the capital of a company issued to shareholders, usually with voting rights on the way the company runs the business
Fair value	The amount for which an asset could be exchanged or a liability settled
Financial instruments	Any contract giving rise to a financial asset or liability. For the County Council this is likely to be a loan or investment
Fixed interest	A corporate bond in the form of a certificate of debt issues by a company or institution in return for a fixed rate of interest with a promise of redemption to repay the original sum
Gilt	Similar to corporate bonds by way of interest and redemption, but these are issued by Government and are a loan to the Government
Forward foreign exchange	An agreement to purchase or sell an amount of foreign currency at a future date and predetermined price
Imprest accounts	Petty cash accounts used for small items of expenditure
Index linked	Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation
Joint Venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement
Joint Operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement
Liability	A present obligation of the County Council arising from past events, the settlement of which is expected to result in an outflow of resources
Minimum revenue provision (MRP)	The statutory amount set aside from the revenue budget which can be used to repay external loans
National Non-Domestic Rates (NNDR)	A tax collected locally by borough and district councils and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population
Operating leases	A method of obtaining the use of an asset where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account

Pooled investment vehicles	A fund in which multiple investors contribute assets and hold them as a group, for example a unit trust
PPE (Property, Plant & Equipment)	For the purposes of the Statement of Accounts, the Council's property, plant & equipment is abbreviated to PPE.
Precept	The amount the County Council (the precepting authority) ask district and borough councils to collect as council tax.
Private Finance Initiative (PFI)	A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance
Provisions	Monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts
Public Works Loan Board (PWLB)	A government agency which provides long-term loans to local authorities at favourable interest rates
Reserves	Money set aside to meet the cost of specific future expenditure. These can be either: <ul style="list-style-type: none"> • Usable – those which can be used to provide services • Unusable – those which cannot be used to provide services
Revenue contributions to capital expenditure	The amount of capital expenditure to be financed directly from the annual revenue budget
Revenue Support Grant (RSG)	A general central government grant paid to the County Council in support of annual revenue expenditure
Scheduled bodies	Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund
Settlement costs	Settlement costs arise when a lump-sum payment is made to a scheme member in exchange for their rights to receive certain pension benefits
Stock lending	The temporary transfer of stock (shares / securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal or greater value than the loaned securities

Transfer values

Sums which are either paid to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme



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Statement of

Accounts 2023/24

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Worcestershire Pension Fund (the Fund) Financial Statements 2023/24

About the Accounts

- 1. Explanatory Foreword and a Review of the Year 2023/24.**
- 2. Fund Account.**
- 3. Net Assets Statement for the Year Ended 31st March 2024.**
- 4. Notes to the Accounts.**

Independent Auditors Report to the Members of Worcestershire County Council on the Pension Fund (the Fund).

About the Accounts

BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

Explanatory Foreword and a Review of the Year 2023/24

Contains a review of the year and other general information about the accounts.

The Fund Account

Details the money received and spent within the Pension Fund during 2023/24.

Net Assets Statement

Statement showing the Fund's financial position at 31 March 2024.

Notes to the Fund Accounts

Notes providing additional information for the Fund Account and Net Assets Statement.

Statement of Accounting Policies

These are shown against the relevant note.

The accounts have been prepared on a going concern basis.

1. Explanatory Foreword and a Review of the Year 2023/24

Foreword by the Chief Financial Officer

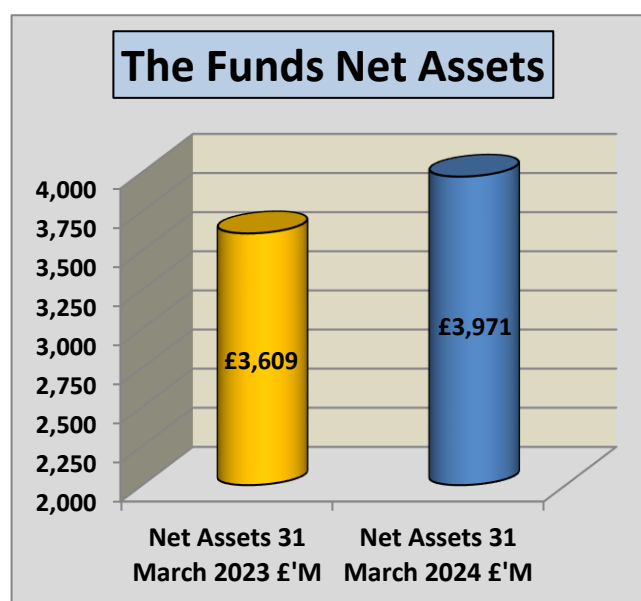
Welcome to the Fund's 2023/24 Statement of Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also administer the LGPS for members of other organisations which have made admission agreements with the Fund and designated bodies who have passed resolutions with Worcestershire County Council.

Table 1 Aim and Purpose of the Fund

The aims of the Fund are to:	
•	Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost.
•	Manage employers' liabilities effectively.
•	Ensure that sufficient resources are available to meet all liabilities as they fall due.
•	Maximise the returns from investments within reasonable risk parameters.
The purpose of the Fund is to:	
•	Receive monies in respect of contributions, transfer values and investment income.
•	Pay out monies in respect of scheme benefits, transfer values, costs, charges, and expenses.

Key headlines

- Chart 1 shows that the value of the Fund's net assets increased by £362.7 million from £3,608.6 million at 31 March 2023 to £3,971.3 million at 31 March 2024.
- Income from contributions increased to £133.3 million, from £97.9 million, due to additional members and employers joining the Fund during 2023/24.
- Net investment returns increased to £398.7 million compared to £57.0 million for 2022/23 which was mainly due to the improved market value of the investment portfolio following the significant headwinds witnessed during 2022 and early 2023.



Contributions from staff and employers were less than the benefits paid as well as administration and management expenses in 2023/24 by £36 million. This was expected due to an increase in members and the final year of the unwinding of employers 3-year pension contributions prepayments.

- Chart 2 shows that during the year a surplus resulted on the Fund Account (aside from the net investments returns) totalling £15 million, an increase of £10 million from the 2022/23 surplus of £5 million.

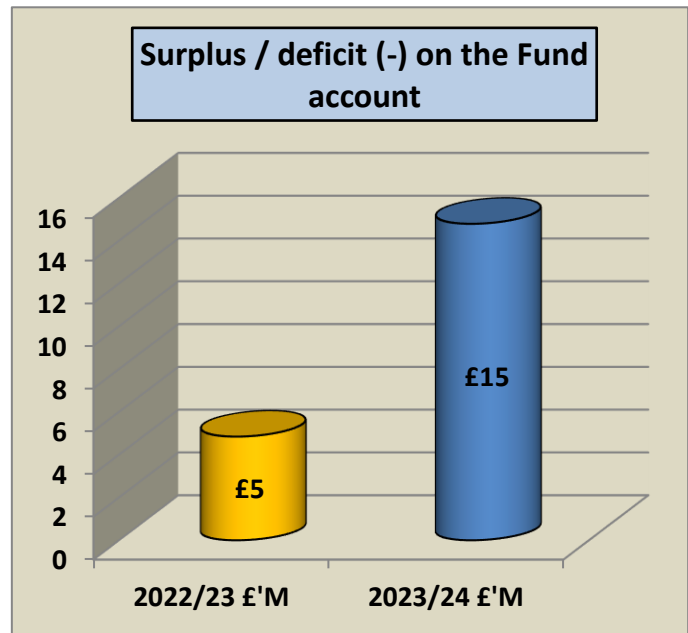


Table 2 analysis of changes within the Fund's membership profile

	31 March 2023	31 March 2024	Change	Change %
Contributors to the Fund	22,822	23,449	627	2.7
Pensions paid	21,062	21,861	799	3.8
Deferred members	23,855	24,285	430	1.8
	67,739	69,595	1,856	2.7

Table 2 above shows that the scheme membership has continued to grow. Active employer numbers have increased from 67,739 to 69,595 during 2023/24, due to the continuation of enrolment initiatives and an increase in the number of designated employers. Given the administrative challenges presented by this continued growth, the Fund regularly review its systems and processes and importantly, the way it engages with, and receives data from scheme employers.

Pensions Administration

During the year we have launched LGPS members portal which can be accessed via the Funds website. The portal enables our LGPS members to keep up to date with their benefits, update information and use tools which will support preparation for retirement. Fund communications will also be driven by the member portal as we will be able to issue more regular communications including newsletters and annual benefit statements through the portal as opposed to paper copied being issued annually.

The Fund are also re-engineering our internal processes, used to deliver benefits to our members. The aim is to align the new, and future, technology we have invested in, including the member portal, to ensure that the data held by the fund can be delivered more efficiently and effectively to our members enhancing the member experience. We have introduced additional

support for Senior Officers, Pensions Board and Committee members in the form of an online training platform which will be used in conjunction with the Fund training policy and programme. The online training platform allows users more flexibility in being able to gain access to training material at anytime and anywhere via a secure online portal.

During the year we changes were made in the team, to ensure resource was targeted in order to drive through improvements as well as boosting the resource available to manage employer risk and relationships. We also introduced career-graded roles for processing staff, to provide career opportunities and promote training and development. We have developed and rolled out a comprehensive set of management information reports, covering our performance against our admin KPIs and team productivity, and we are using this data to inform our priorities, and engage the team in understanding where we need to focus our efforts.

Activity / Process	Target turnaround (Working days)	2022/23 average turnaround (Working days)	2023/2024 average turnaround (Working days)
Joiners' notification of date of joining	40	12	20
Calculate and notify deferred benefits	30	6	5
Letter notifying actual retirement benefits	15	2	2
Letter notifying estimate of retirement benefits	15	2	2
Process and pay lump sum retirement grant	23	12	13

	2022/23	2023/24
Total Number of staff FTE	39.6	42.0
Admin Cost per member*	£23.09	£33.01

“*” the higher administration costs were driven by systems enhancement expenditure, an increase in governance costs along with general inflationary pressures and expenditure related to enhancing recruitment to ensure the Fund is ready to meet increasing regulatory demands.

The Fund have undertaken a number of procurement exercises working alongside our colleagues in procurement and using the National LGPS Frameworks. These re-procurements have been for the Pensions Administration software and the provider for actuarial services. Following the actuarial services procurement exercise, Hymans Robertson LLP have been appointed the Fund Actuary from January 2024. Our supplier of pensions administration software has been re-procured, both providers showed their commitment towards working closely with the Fund and importantly driving changes through the use of automation and technology to improve efficiency and support more effective delivery.

Governance

The Council has established a Pensions Committee to exercise the Administering Authority's responsibility for the management of the Fund. The Pensions Committee has overall responsibility for the management of the administration of the Fund and for the strategic management of the Fund's assets. In order to discharge its responsibility effectively the Pensions Committee is supported by the Pension Administration Advisory Forum and the Pension Investment Sub Committee. Note, it is the Audit and Governance Committee that is charged with governance for the purpose of the accounts.

The purpose of the Pension Board is to assist the Administering Authority in its role as a scheme manager. Such assistance is to: (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and (b) to ensure the effective and efficient governance and administration of the Scheme.

The Fund's [Governance Policy Statement](#) is published on the Council's website. It complies with LGPS Regulations and is aligned to prescribe best practice guidance.

The Fund also reports quarterly to the Pensions Committee on the Fund's progress towards delivering the recommendations arising from the Scheme Advisory Board's (SAB) 'Good Governance project.

Management of the Fund's assets

The management of the Fund's assets is operated through fourteen specialist external managers with nineteen mandates in total. The Pensions Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Sub Committee, which includes an independent investment adviser.

The Fund's asset allocation is kept under regular review and the current long-term investment allocation includes investments in a wide variety of UK and overseas companies, corporate bonds, corporate private debt, property, and infrastructure. A strategic asset allocation review (SAAR) took place during 2022/23 and was endorsed by the Pensions Committee in March 2023. The following recommendations arising from that review were progressed during 2023/24, and will continue over the medium term:

- Increase the Fund's passive market allocation by 5% to the US and reduce the UK allocation by 5%.
- Allocate up to 5% of the Funds Strategic asset allocation (SAA) to Private Equity (PE), steadily over a period of time.
- Procure a segregated Equity Protection strategy mandate so that it is available to the Fund as and when required.
- Continues to explore opportunities to deploy capital in alternative assets with an income focus to ensure that a continued long term cashflow solution is in place.

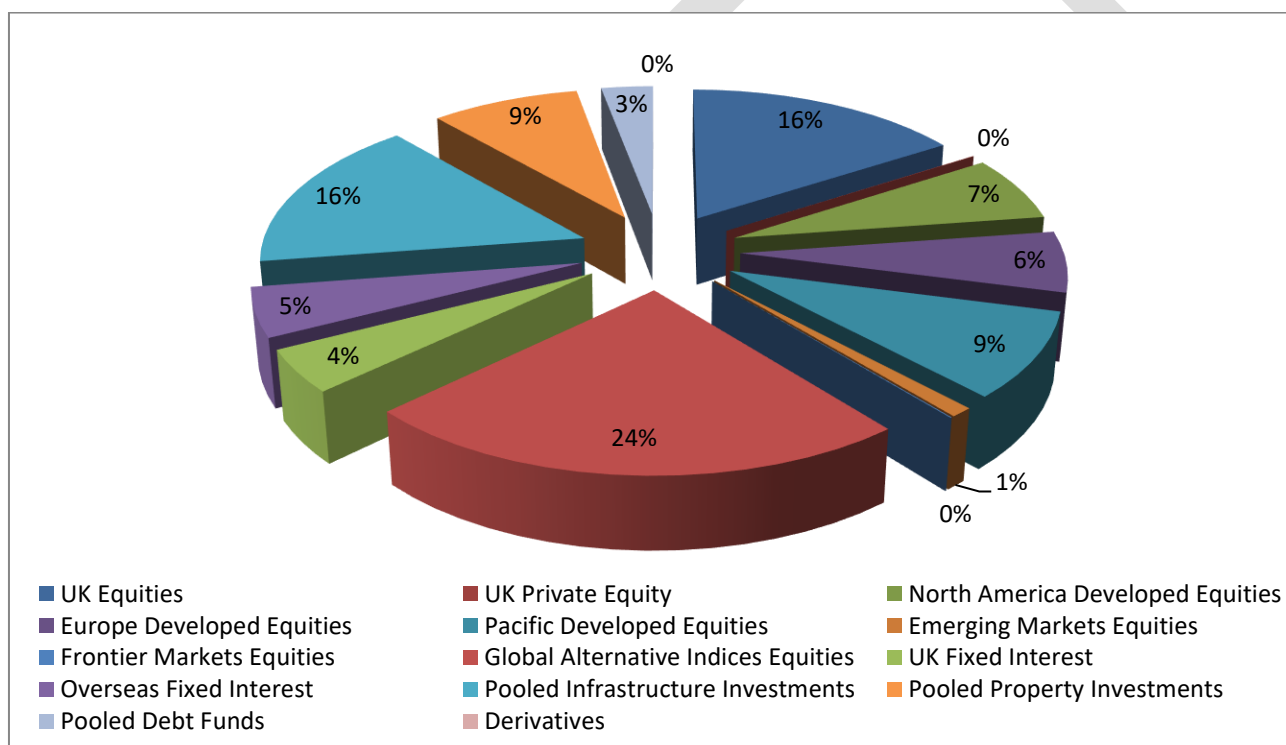
Following the 2022 strategic asset allocation review, the following new commitments have been made during the 2023/24 financial year: -

- LGPS Central Infrastructure Single Asset Fund II: £60m.
- Gresham House Private Equity Release Fund: £50m.
- Gresham House Forestry Fund VI: £25m.

Given conditions in equity markets at the time, the Fund took the opportunity to exit the protection given by its equity protection vehicle during 2022/23. Following recommendations resulting from the most recent SAAR, at 31 March 2023 the procurement of a suitable segregated equity protection strategy was in progress.

The following chart details the distribution of the Fund's assets as at 31 March 2024:

Chart 3 Distribution of the Fund's Assets



Environmental, Social & Governance (ESG) & Responsible Investment (RI)

The Fund has continually looked to develop and improve its approach to RI and conducted an ESG audit last year which included mapping the Fund's entire portfolio to the United Nations' sustainable development goals (SDGs). The Fund conducted its fourth annual ESG workshop for its Pension Board and Pensions Committee on 31 January 2024 to review progress against the identified actions and was found to have made very pleasing headway.

In January 2024 the Fund's fourth annual [Climate Risk Management Report](#) delivered a view of the climate risk of the Fund's entire equity asset portfolio, accompanied by proposed actions the

Fund could take to manage and reduce that risk. The results were used in the Fund's public-facing [Climate Related Financial Disclosures](#) for the fourth year.

The Fund was particularly pleased to see that previous focus on transitioning out of our passive mandates with the greatest carbon footprint has continued the progress made in its listed market portfolio now being 40% more carbon efficient than the reference index and a further 14% more efficient than in 2022. During the 2023/24 financial year, the Fund increased its existing commitment to UK forestry investments by a further £25m, taking the total commitment to £190m thus recognising that its investments in private markets also have a significant role to play in addressing climate related issues. The Fund has maintained its commitment to a number of sustainable infrastructure and housing investments, evidenced by the investments illustrated above, which will have a long term environmental and social impact.

Impact of Global Financial Market Volatility and Geopolitical Landscape

Ongoing discussions throughout the year have taken place with existing fund managers and our actuary to continue to consider and understand the implications of inflationary pressures and geopolitical instability on financial markets and the wider investment landscape. As detailed above the Fund had already taken steps to diversify some of its asset allocations from equities into property and infrastructure as well as commencing the procurement of an equity protection strategy to guard against major market fluctuations. Excessive volatility in market risk is also managed through the diversification of the portfolio in terms of geographical and industry sectors and also individual securities.

LGPS Central Limited (LGPSC)

Previous Fund's accounts highlighted the government's requirements and reasoning (opportunities for collaboration, cost savings and efficiencies) for asset pooling. However, the responsibility for asset allocation stays with the Worcestershire Pension Fund. The Fund is a partner fund along with Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, and Nottinghamshire in a collective investment vehicle called LGPSC. The company is authorised to operate as an alternative investment fund manager (AIFM) and became formally operational from the 1 April 2018.

Each partner fund approved the regulatory capital requirements for LGPSC and its introduction on the 31 January 2018. As all FCA regulated entities are required to hold regulatory capital designed to protect the solvency of the entity, £16m of capital was introduced ("Capital Introduced") by the eight shareholders to cover the capital requirement, a prudent buffer, set-up costs and operational liquidity. Each partner fund provided £2million of capital on 31st January 2018, with the Fund's share consisting of £1.3million of equity and £0.7million of debt.

LGPSC has been in operation just over 5 years and the Fund has, by market value at 31 March 2024, approximately 23% of its assets in LGPSC's Global Corporate Bonds Fund, Buy & Maintain UK Gilts Fund, Single Asset Infrastructure Fund, Global All World Equity Climate Multi Factor Fund and Global Sustainable active equities. This increases to approximately 53% when including the Pooling undertaken by the 'Shire' Pension Funds for passive equities just before LGPSC was formed which is included in the DLUHC pooling return.

Management of the Fund's liabilities

The Funds' funding strategy is kept under regular review by the Pensions Committee and the Fund's actuary assesses at three yearly intervals the Fund's assets and its liabilities. An actuarial valuation of the Worcestershire Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026. Key outcomes of the valuation at that point in time are detailed below:

- The Fund's assets of £3,585 million represented 101% of the Fund's past service liabilities of £3,562 million (the "Funding Target") at the 31 March 2022 valuation date. This compares to the 90% funded position at the previous valuation at 2019.
- A common rate of contribution of 18.8% (2019: 17.5%) of pensionable pay per annum will be required from employers covering 2023-26. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. Different rates apply across fund employers based on specific factors.

Given the challenging macroeconomic landscape encountered during 2022 and early 2023, it is pleasing that as at 31 March 2024 the Fund's assets of £3,971 million represented approximately 106% of the present value of promised retirement benefits of £3,723 million.

To meet the requirements of the Regulations, the Fund has set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

Phil Rook
Chief Financial Officer
31 May 2024

2. Fund Account (money received and spent during 2023/24)

For the year ended 31 March 2024

2022/23		2023/24
£m	Notes	£m
Dealings with members, employers and others directly involved with the Fund		
97.9 Contributions	4	133.3
22.0 Transfers in from other pension funds	5	15.2
119.9		148.5
(122.6) Benefits	6	(137.8)
(12.7) Payments to and on account of leavers	7	(25.1)
(135.3)		(162.9)
(15.4) Net additions / (withdrawals) from dealings with members		(14.4)
(1.5) Administrative expenses	8	(2.6)
(16.1) Management expenses	9	(19.1)
(33.0) Net additions / (withdrawals) including fund management and administrative expenses		(36.1)
Returns on investments		
37.9 Investment income	10	51.1
0.1 Taxes on income	11	(0.2)
Profit and (losses) on disposal of investments and		
19.1 Changes in the market value of investments	12a & 15b	347.9
57.0 Net return / (loss) on investments		398.8
24.0 Net increase in the net assets available for benefits during the year		362.7
3,584.6 Opening net assets		3,608.6
3,608.6 Closing net assets		3,971.3

3. Net Assets Statement for the year ended 31 March 2024 (showing the financial position at 31 March 2023 and 2024)

2022/23		Notes	2023/24
£m			£m
1.4	Long term Investment Assets	12	1.4
2,654.0	Investment Assets - Internally Managed	12 & 15	2,998.4
893.6	Investment Assets - LGPSC Managed	12 & 15	902.7
8.7	Cash Deposits	12	9.1
3,557.7			3,911.6
(0.3)	Investment Liabilities	12	0.0
55.5	Current Assets	17	58.7
1.7	Non-Current Assets	18	6.2
(6.1)	Current Liabilities	19	(5.2)
3,608.6	Net assets of the Fund available to fund benefits at the period end		3,971.3

These financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) is disclosed in the Actuarial Statement (Note 2 to the Accounts). Note 14 to the Accounts provide details on the fair value of assets.

Financial assets are included in the Net Assets Statement above on a fair value basis as at the reporting date apart from those financial instruments that are held solely for the payments of principal and interest (SPPI) such as cash and debtors which are measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Fund Account. The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) **Market-quoted investments** the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities** fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments** the fair value of investments for which market quotations are not readily available is determined as follows:
 - a. **Valuations of delisted securities** are based on the last sale price prior to delisting, or were subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

- b. **Securities subject to takeover offer** – the value of the consideration offered under the offer, less estimated realisation costs.
 - c. **Directly held investments** include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - d. **Investments in unquoted property and infrastructure pooled funds** are valued at the net asset value or a single price advised by the fund manager.
 - e. **Investments in unquoted listed partnerships** are valued based on the Fund's share of the net assets in the limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines, updated at December 2022*.
- iv) **Limited partnerships** fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
 - v) **Pooled investment vehicles** are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date apart from those financial instruments that are held solely for the payments of principal and interest (SPPI) such as cash and debtors which are measured at amortised cost. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value or amortised cost of the liability are recognised by the Fund.

4. Notes to the Accounts (providing additional information for the Fund Account and Net Assets Statement)

These comprise of a summary of significant accounting policies against the relevant note as opposed to a prescribed list of accounting policies. Further information and detail of entries in the prime statements and other explanatory information and disclosures are as follows: -

NOTE 1: DESCRIPTION OF FUND

a) General

The Fund is administered by Worcestershire County Council on behalf of their own employees, those of the Herefordshire Council, the District Councils, private sector admitted bodies with staff transferred under TUPE from the administering authority and other bodies in the county of Worcestershire and Herefordshire, other than teachers, police officers, and fire fighters.

In matters relating to the management of the Fund's assets the Pensions Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Sub Committee, which includes an independent investment adviser.

The Pensions Committee consists of County Councillors and an Employer and Employee Representative. Formal monitoring takes place on a quarterly basis through meetings with investment managers to discuss their performance. Asset allocation is reviewed at least annually, and pension administration issues are discussed at the Pension Administration Advisory Forum with any resulting recommendations considered by the Pensions Committee.

The day-to-day management of the Fund's investments is divided between external investment managers who operate in accordance with mandates set out in the Fund's Investment Strategy Statement.

b) Membership

Organisations participating in the Fund include the following:

- Scheduled bodies which are automatically entitled to be members of the Fund. These include county councils, district councils, foundation schools / colleges and academies.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies which are organisations that have passed resolutions with town or parish councils.

Membership details are set out below:

	31 March 2023	31 March 2024	Diff
Number of employers	198	213	15
Employee Members of the Fund			
County Council	7,433	7,616	183
Other Employers	15,389	15,833	444
Total	22,822	23,449	627
Pensioner Members of the Fund			
County Council	9,190	6,777	(2413)
Other Employers	11,872	15,084	3,212
Total	21,062	21,861	799
Deferred Members of the Fund			
County Council	6,476	9,285	2,809
Other Employers	17,379	15,000	(2,379)
Total	23,855	24,285	430
Total Number of Members in the Fund	67,739	69,595	1,856

The increase in member numbers from 31 March 2023 is mainly due to an increase in employee and pensioner members.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by employee members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending March 2024. Employee contributions are in addition to employer contributions which are set based on actuarial valuations. The last valuation conducted was at 31 March 2022. The common employer contribution rate for the Fund is 18.8%.

d) Pension Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the [LGPS website](#).

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 2 below).

NOTE 2: FUNDING ARRANGEMENTS AND ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding objectives are as follows:

- Achieve and maintain assets equal to 100% of liabilities within a target 15 year timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements to maintain long term cost efficiency, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible.
- Strike the appropriate balance between long-term investment performance and the Fund's funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- To provide more certainty in employer contribution outcomes (within reasonable parameters) by implementing a number of risk management techniques to manage various aspects of the Fund's financial risks, specifically an Equity Protection strategy and investment strategies reflective of the risk associated to each employer.

In line with the FSS, where a shortfall exists at the effective date of the valuation, a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions may be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the maximum recovery period adopted was 12 years for employers in deficit and 15 years for employers in surplus, and the total initial recovery payment ("the Secondary rate" for 2023-26) was an addition of approximately £2.7m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,585 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that

date. The resulting surplus at the 2022 valuation was £23 million. Each employer had contribution requirements set at the valuation. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions at 31 March 2022	For past service liabilities	For future service liabilities
Discount rate*	4.6%	5.1%
Salary increase assumption**	4.6%	4.6%
Benefit increase assumption (CPI)	3.1%	3.1%

*This is the discount rate for the "growth pot" and applies to the majority of employers. Certain employers have a more cautious investment strategy, and so a lower discount rate.

**A minimum of 4% p.a. over the 3 years to 31 March 2026 and then reverting to the long term rate.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the adjusted S3PA tables with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, smoothing parameter Sk7.5, initial adjustment of 0% and a long term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.7 years	26.4 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Worcestershire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2024	31 March 2023
Active members (£m)	1,366	1,247
Deferred members (£m)	868	863
Pensioners (£m)	1,489	1,548
Total (£m)	3,723	3,658

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of

member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £64m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £58m. £57m.

Financial assumptions

Year ended	31 March 2024	31 March 2023
	% p.a.	% p.a.
Pension Increase Rate	2.75%	2.80%
Salary Increase Rate	4.25%	4.20%
Discount Rate	4.85%	4.80%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the S3PA tables with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.5 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	67
1 year increase in member life expectancy	4%	152
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Rate of CPI Inflation	2%	65

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2024' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Steven Scott FFA

13 May 2024

For and on behalf of Hymans Robertson LLP

NOTE 3: EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Events taking place after this date are not reflected in the financial statements or notes. Management have reviewed and can confirm that there are no significant events after the reporting period.

It is anticipated that the future value of investments may continue to be exposed to increased market volatility as a result of geopolitical events as well as the global inflationary environment which may impact on the value of the Fund in the short to medium term; however, it is not possible to reliably estimate the financial impact of this on the position and performance of the Fund in future periods.

The impact of inflation and consequent price rises on fuel and the cost of living is likely to impact on increasing budgetary pressures and it is unlikely that the level of funding that local government bodies receive in future years will keep pace with pressures being faced. This will need to be taken into account for employer's contributions to the Fund.

The Fund Accounts include more detail regarding the impact of geopolitical events and inflation in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

NOTE 4: CONTRIBUTIONS RECEIVABLE

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund's actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets. The contributions received are detailed below: -

	2022/23	2023/24
By Category	£m	£m
Employers		
Normal contributions	54.2	87.6
Deficit recovery contributions	14.9	10.2
Augmentation contributions	0.7	5.0

	2022/23	2023/24
By Category	£m	£m
Employees		
Additional contributions	0.0	0.0
Normal contributions	27.8	30.1
Additional contributions	0.3	0.4
	97.9	133.3

	2022/23	2023/24
By authority:	£m	£m
Worcestershire County Council	13.8	28.0
Scheduled bodies	72.2	94.9
Community admission bodies	3.8	2.9
Transferee admission bodies	7.1	6.5
Designated bodies	1.0	1.0
	97.9	133.3

The increase in contributions in 2023/24 was due to an increase in membership of the Fund driven by additional employers and continued efforts to promote employee enrolment.

NOTE 5: TRANSFERS IN AND FROM OTHER PENSION FUNDS

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accrual's basis in accordance with the terms of the transfer agreement. Individual transfers in and from other pension funds are as follows: -

	2022/23	2023/24
	£m	£m
Individual transfers	18.1	15.2
Bulk transfers	3.9	0.0
	22.0	15.2

NOTE 6: BENEFITS PAYABLE

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities. The benefits paid are as follows: -

By category:	2022/23	2023/24
	£m	£m
Pensions	100.3	111.8
Commutations and lump sum retirement benefits	19.7	23.4
Lump sum death benefits	2.6	2.6
	122.6	137.8

By authority:	2022/23	2023/24
	£m	£m
Worcestershire County Council	43.5	47.5
Scheduled bodies	65.4	73.7
Admitted bodies	1.7	1.7
Community admission bodies	7.7	9.2
Transferee admission bodies	3.7	4.9
Designated bodies	0.6	0.8
	122.6	137.8

NOTE 7: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022/23	2023/24
	£m	£m
Individual transfers	12.7	25.1
Group transfers	0.0	0.0
	12.7	25.1

At 31 March 2024 there were no potential liabilities in respect of individuals transferring out of the Fund upon whom the Fund is awaiting final decisions.

NOTE 8: ADMINISTRATIVE EXPENSES

All administrative expenses are accounted for on an accrual's basis. All staff costs of the Fund's administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

	2022/23	2023/24
	£m	£m
Employee expenses	1.0	1.7
Support services	0.8	0.1
Actuarial services	0.6	0.4
Other expenses	(0.9)	0.4
	1.5	2.6

The audit fee (included in support services above) for work completed by the Fund's external auditors for the year ended 31 March 2024 was £93,656 (31 March 2023: £57,073 in total), 3.5% (31 March 2023: 3.7%) of total admin costs.

NOTE 9: MANAGEMENT EXPENSES

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment and administration of the Fund to be charged against the Fund.

The Code of Practice does not require any breakdown of the Fund's administrative expenses. However, in the interests of greater transparency, the Fund discloses its management expenses in accordance with CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

All oversight and governance expenses are accounted for on an accrual's basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

	2022/23	2023/24
	£m	£m
Oversight and Governance	0.4	0.2
LGPSC*	0.6	0.8
Investment Management Expenses		
Administration, management, and custody fees	14.4	17.2
Other expenses	0.7	0.9
	16.1	19.1

*LGPSC is the governance and management costs the Fund contributes towards the Pooling company

NOTE 9A: INVESTMENT MANAGEMENT EXPENSES

Fixed income and equity investment managers' expenses are charged on a percentage basis of the market value of assets under management and therefore increase or reduce as the value of these investments change. Global custodian fees are agreed in the respective mandate governing their appointment.

The cost of obtaining investment advice from the Fund's independent investment adviser is included in oversight and governance. All investment management expenses are accounted for on an accrual's basis. The management costs are as follows: -

2023/24	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
LGPS Central (Bonds)	0.2	0.7	0.0	0.9
LGPS Central (Emerging Markets)	1.1	0.8	0.0	1.9
LGPS Central (Global Climate Fund)	0.1	(0.4)	0.0	(0.3)
LGPS Central (Global Targeted Fund)	0.3	0.2	0.0	0.5
LGPS Central (Global Thematic Fund)	0.4	0.1	0.0	0.5
Nomura Asset Management UK Ltd	0.4	0.2	0.0	0.6
Legal & General Asset Management	0.4	0.0	0.0	0.4
Green Investment Bank	0.6	0.0	0.0	0.6
Hermes	0.3	0.0	0.0	0.3
Invesco	0.8	0.0	0.0	0.8
VENN	1.2	0.0	0.0	1.2
Walton Street	0.2	0.0	0.0	0.2
AEW	0.1	0.0	0.0	0.1
Stonepeak	1.4	0.0	0.0	1.4
Igneo (was First Sentier)	0.4	0.0	0.0	0.4
Bridgepoint (was EQT)	4.7	0.0	0.0	4.7
River and Mercantile	0.0	0.0	0.0	0.0
Gresham Forestry	0.7	0.0	0.0	0.7
Gresham Forest Fund VI	0.0	0.0	0.0	0.0
Gresham (BSIF)	0.0	0.0	0.0	0.0
Gresham (BSIF II)	1.3	0.0	0.0	1.3
Closed Mandates & one-off advisory fees	0.8	0.0	0.0	0.8
Subtotal	15.6	1.6	0.0	17.1
Custody Fees				0.1
Total Fees			0.0	17.2

2022/23	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
LGPS Central (Bonds)	0.2	0.6	0.0	0.8
LGPS Central (Emerging Markets)	1.2	0.6	0.0	1.8
LGPS Central (Global Climate Fund)	0.1	0.4	0.0	0.5
LGPS Central (Global Targeted Fund)	0.2	0.2	0.0	0.4
LGPS Central (Global Thematic Fund)	0.3	0.0	0.0	0.3
Nomura Asset Management UK Ltd	0.4	0.3	0.0	0.7
Legal & General Asset Management	0.3	0.0	0.0	0.3
Green Investment Bank	0.6	0.0	0.0	0.6
Hermes	0.6	0.0	0.0	0.6
Invesco	0.9	0.0	0.0	0.9
VENN	0.7	0.0	0.0	0.7
Walton Street	0.2	0.0	0.0	0.2
AEW	0.1	0.0	0.0	0.1
Stonepeak	0.8	0.0	0.0	0.8
Igneo (was First Sentier)	0.9	0.0	0.0	0.9

2022/23	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
Bridgepoint (was EQT)	1.5	0.0	0.0	1.5
River and Mercantile	0.2	1.6	0.0	1.8
Gresham Forestry	(0.6)	0.0	0.0	(0.6)
Gresham Forest Fund VI	0.3	0.0	0.0	0.3
Gresham (BSIF)	0.0	0.0	0.0	0.0
Gresham (BSIF II)	1.6	0.0	0.0	1.6
Closed Mandates & one-off advisory fees	0.0	0.0	0.0	0.0
Subtotal	10.6	3.7	0.0	14.3
Custody Fees				0.1
Total Fees				14.4

The £17.1m investment management expenses incurred in 2023/24 represent 0.43% or 43 basis points (bps) of the market value of the Fund's assets as at 31st March 2024 (0.41% or 47bps as 31 March 2023). The cash for pooled property investments, pooled infrastructure investment and equity protection strategy drawdowns was transitioned from the overweight position held in UK passive equities, which have a very low management fee in comparison.

The reason for the investment in pooled property investments and pooled infrastructure investments was to further diversify the Fund's assets whilst maintaining long term target investment returns. These investments have a J-Curve return profile, so are expected to provide increased returns as the pooled funds mature.

* The Fund has applied CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Costs', which requires external investment management fees and transaction costs to be deducted from asset values (rather than invoiced and paid directly). These are shown gross: the application of the guidance increases management expenses from £11.3 million to £17.1million for 2023/24 (£6.6 million to £14.3 million for 2022/23). It is important to note that the application of the guidance does not represent an actual increase in costs, or a decrease in the Fund's resources to pay pension benefits.

NOTE 10: INVESTMENT INCOME

Income from equities (dividend income) is accounted for on the date stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Income from fixed interest, cash and short-term deposits is accounted for on an accruals basis, using the effective interest rate of the financial institution as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Income from other investments is accounted for on an accrual's basis.

The changes in market value of investments during the year are recognised as income and comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

	2022/23	2023/24
	£m	£m
Fixed interest securities	(0.2)	0.0
Equity dividends	10.3	7.3
Pooled property & infrastructure investments	26.5	39.8
Interest on cash deposits	1.3	4.0
Securities lending	0.0	0.0
	37.9	51.1

NOTE 11: TAXES ON INCOME

The Fund is a registered public service scheme under section (1) of schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

	2022/23	2023/24
	£m	£m
Withholding tax – equities	0.1	(0.2)
	0.1	(0.2)

NOTE 12: INVESTMENTS

	Market value 31 March 2023	Market Value 31 March 2024
	£m	£m
Long term Investment Assets		
LGPS Central shares	1.4	1.4
Investment Assets -LGPS Central Managed		
Equities	306.9	0.0
Pooled investment vehicles	402.7	527.7
Fixed Interest Securities	184.0	375.0
Investment assets -WPF Managed		
Fixed interest securities	0.0	0.0
Equities	328.5	355.1
Pooled investment vehicles	1,393.8	1,629.6

	Market value 31 March 2023	Market Value 31 March 2024
	£m	£m
Pooled property investments	323.6	331.3
Pooled infrastructure investments	511.8	561.1
Pooled debt Assets	92.3	115.1
Private Equity	0.0	1.6
Derivatives - futures	0.0	0.0
Derivatives - forward FX	0.0	0.0
Cash deposits	8.7	9.1
Investment income due	3.7	4.6
Amounts receivable for sales	0.3	0.0
Total investment assets	3,557.7	3,911.6
Investment liabilities		
Derivatives - futures	(0.0)	(0.0)
Derivatives - forward FX	(0.0)	(0.0)
Amounts payable for purchases	(0.3)	(0.0)
Total investment liabilities	(0.3)	(0.0)
Net investment assets	3,557.4	3,911.6

NOTE 12A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2023 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2024 £m
Long-term Investment Assets					
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	0.0	0.0	0.0	1.4
Investment Assets -LGPS Central Managed					
Fixed Interest Securities	184.0	174.6	(0.8)	17.2	375.0
Pooled investment vehicles	402.7	60.0	(0.5)	65.5	527.7
Equities	306.9	0.0	(306.1)	(0.8)	0.0
	895.0	234.6	(307.4)	81.9	904.1
Investment Assets -WPF Managed					
Fixed interest securities	0.0	0.0	0.0	0.0	0.0
Equities	328.5	127.5	(122.1)	21.2	355.1
Pooled investment vehicles	1,393.8	32.2	(48.4)	252.0	1,629.6
Pooled property investments	323.6	57.2	(33.0)	(16.5)	311.3
Pooled infrastructure investments	511.8	166.2	(74.3)	7.4	561.1

	Market value 31 March 2023 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2024 £m
Pooled debt investments	92.3	37.5	(16.3)	1.6	115.1
Private Equity	0.0	1.7	(0.8)	0.7	1.6
	3,545.0	606.9	(602.3)	348.3	3,897.9
Derivative contracts:					
Futures	0.0	0.0	0.0	0.0	0.0
Forward currency contracts	0.0	0.0	0.0	0.0	0.0
	3,545.0	606.9	(602.3)	348.3	3,897.9
Other investment balances:					
Cash deposits	8.7			(0.4)	9.1
Investment income due	3.7				4.6
Amount receivable for sales of investments	0.3				0.0
Amounts payable for purchases of investments	(0.3)				0.0
Net investment assets	3,557.4			347.9	3,911.6

Prior year comparators:

	Market value 31 March 2022 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2023 £m
Long-term Investment Assets					
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	0.0	0.0	0.0	1.4
Investment Assets - LGPS Central Managed					
Fixed Interest Securities	206.4	0.0	(0.8)	(21.6)	184.0
Pooled investment vehicles	207.1	201.3	(1.1)	(4.6)	402.7
Equities	322.5	0.0	(1.7)	(19.9)	306.9
	737.4	201.3	(3.6)	(40.1)	895.0
Investment Assets - WPF Managed					
Fixed interest securities	190.4	191.4	(382.5)	0.7	0.0
Equities	332.9	162.7	(147.5)	(19.6)	328.5
Pooled investment vehicles	1,508.8	231.7	(375.5)	28.8	1,393.8
Pooled property investments	221.9	127.1	(30.4)	5.0	323.6
Pooled infrastructure investments	426.7	106.0	(49.8)	28.9	511.8
Pooled debt investments	76.3	27.0	(16.1)	5.1	92.3
	3,494.4	1,047.2	(1,005.4)	8.8	3,545.0

	Market value 31 March 2022 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2023 £m
Derivative contracts:					
Futures	31.6	343.4	(381.2)	6.2	(0.0)
Forward currency contracts	0.0	0.0	0.0	0.0	0.0
	3,526.0	1,390.6	(1,386.6)	15.0	3,545.0
Other investment balances:					
Cash deposits	13.0			4.1	8.7
Investment income due	4.4				3.7
Amount receivable for sales of investments	0.0				0.3
Amounts payable for purchases of investments	0.0				(0.3)
Net investment assets	3,543.4			19.1	3,557.4

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The changes in purchases and sales in derivatives relate to transactions made within the equity protection strategy maintained by River and Mercantile.

Transaction costs are not included in the cost of purchases and sale proceeds, as they have been included in investment management expenses as per CIPFA guidance. Transaction costs include costs charged directly to the Fund such as fees, commissions, and other fees.

Transaction costs incurred during the 2023/24 year amounted to £1.6 million, (2022/23: £3.7 million). These transaction costs represent 0.04% or 4bps of the market value of the Fund's assets as at 31 March 2024 (0.9bps at 31 March 2023).

Indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not provided separately to the Fund.

NOTE 12B: INVESTMENTS ANALYSED BY FUND MANAGER

The proportion of the market value of investment assets held by external fund managers at the year-end was:

External Fund Manager	2022/23		2023/24	
	£m	%	£m	%
LGPSC (Bonds)	184.0	5	199.7	5
LGPSC (UK Gilts)	0.0	0	175.5	4

External Fund Manager	2022/23		2023/24	
	£m	%	£m	%
LGPSC (Emerging Markets)	306.9	9	0.0	0
LGPSC (Global All World Climate Factor Fund)	208.2	6	247.4	6
LGPSC (Global Sustainable Active Equities)	194.5	5	220.3	6
LGPSC Single Asset Infrastructure Fund	0.0	0	60.0	2
JP Morgan Asset Management (Bonds)	0.2	0	0.1	0
JP Morgan Asset Management (Emerging Markets)	1.6	0	1.7	0
Nomura Asset Management UK Ltd	355.5	10	394.1	10
Schroder Investment Management	1.5	0	1.5	0
Legal & General Asset Management	1,366.8	38	1,590.4	41
Green Investment Bank	46.7	1	39.4	1
Hermes (Fund I and II)	91.0	3	75.1	2
Invesco (Euro and a UK Property Fund)	116.9	3	106.9	3
VENN (Fund I & II)	18.2	0	19.6	1
Walton Street (Fund I & II)	10.6	0	12.1	0
AEW	18.6	1	18.0	0
Stonepeak (III & IV)	174.2	5	182.4	5
Igneo (II & III, was First Sentier)	133.4	4	162.6	4
Bridgepoint Fund II & III (was EQT)	92.2	3	115.1	3
WCC Managed Account	5.4	0	5.9	0
Gresham House Private Equity Release Fund	0.0	0	1.6	0
Gresham House (BSIF I & II)	86.6	3	130.5	3
Gresham House Forestry Growth & Sustainability	54.6	2	74.4	2
Gresham House Forest Fund VI	84.7	2	71.3	2
	3,552.3	100	3,905.6	100

The above excludes £1.4m (2022/23: £1.4m) Invested in LGPSC and £4.6m (2022/23: £3.7m) of investment income due. The following investments represent more than 5% of the net assets of the Fund:

Security	Market value	% of total	Market value	% of total
	31 March 2023	Fund	31 March 2024	Fund
	£m		£m	
LGIM – UK Equity Index Pooled Fund	608.0	17.1	614.9	15.8
LGIM - Client Specific unitised Fund -STAJ	354.2	10.0	464.5	11.9
LGPS Central Emerging Market Equity Pool	306.9	8.7	0.0	0.0
LGIM – Europe (ex-UK) Index Pooled Fund	221.8	6.3	246.3	6.3
LGPS Central All World Equity Climate Factor Fund	208.2	5.9	247.4	6.3
LGPS Central Global Active Investment Grade Corporate Bond Fund	184.0	5.2	199.7	5.1
LGIM – North America Index Pooled Fund	182.8	5.2	263.6	6.8

NOTE 12C: STOCK LENDING

The Fund operates the practice of lending stock to a third party for a financial consideration. Securities released to a third party under the stock lending agreement with the Fund's custodian, BNY Mellon, are included in the Net Assets Statement to reflect the Fund's continuing economic interest of a proprietorial nature in those securities.

The total amount of stock lent at the year-end was £9.6 million (2022/23: £3.6 million). Counterparty risk is managed through holding collateral at the Fund's custodian bank. The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £10.0 million (2022/23: £3.7 million) representing 104.6% of stock lent.

Income received from stock lending activities was £0.01 million for the year ending 31 March 2024 (2022/23: £0.01 million). This is included within the 'Investment Income' figure detailed on the Fund Account.

Stock lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stocks are passed to the borrower. There are no liabilities associated with the loaned assets.

NOTE 13A: ANALYSIS OF DERIVATIVES

During the year ending 31 March 2024, The Fund used derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund did not hold derivatives for speculative purposes.

The value of a futures contract is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Objectives and Policies for Holding Derivatives

The holding in derivatives was designed to hedge exposures to reduce risk in the Fund. Derivatives were used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives was managed in line with the investment management agreement between the Fund and its investment managers.

a) Futures

The Fund's investment managers hold cash balances to ensure efficient and timely trading when opportunities arise. The Fund's management did not want this cash to be 'out of the market' and so enabled several investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements.

The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

b) Forward Foreign Currency

To maintain appropriate diversification and to take advantage of overseas investment returns, the Fund's bond mandate targets outperformance against a global benchmark index. To reduce volatility associated with the fluctuating currency rates, the Fund has enabled the bond mandate investment manager to purchase and sell forward foreign currencies as a hedge.

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Futures

Outstanding exchange traded futures contracts are as follows:

		Economic Exposure	Market Value 31 March 2023	Economic Exposure	Market Value 31 March 2024
ASSETS					
Type of future	Expiration	£m	£m	£m	£m
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	0.0
US S+P exchange traded option	Under one year	0.0	0.0	0.0	0.0
Overseas exchanged traded	under one year	0.0	0.0	0.0	0.0
Total assets			0.0		0.0

		Economic Exposure Value	Market Value 31 March 2023	Economic Exposure Value	Market Value 31 March 2024
LIABILITIES					
Type of future	Expiration	£m	£m	£m	£m
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	0.0
US S+P 500 exchange traded option	Under one year	0.0	0.0	0.0	0.0
Overseas exchanged traded	Under one year	0.0	0.0	0.0	0.0
Total liabilities			(0.3)		0.0

Net futures		(0.3)	0
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OPEN FORWARD CURRENCY CONTRACTS AS AT 31 MARCH 2024

Settlement	Currency Bought	Local Currency Value	Currency Sold	Local Currency Value	Asset Value	Liability Value
		£m		£m	£m	£m
One to Six Months	JPY	0.0	USD	0.0	0.0	0.0
One to Six Months	USD	0.0	JPY	0.0	0.0	0.0
					0.0	(0.0)
Net forward currency contracts at 31 March 2024						0.0
<u>Prior year comparative:</u>						
Open forward currency contracts at 31 March 2023						0.0
Net forward currency contracts at 31 March 2023						0.0

ANALYSIS OF CASH

Cash comprises demand deposits and cash equivalents; these include amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Please see Note 16 for further analysis of Cash Instruments.

	2022/23	2023/24
Cash	£m	£m
Cash deposits	4.7	5.4
Cash instruments	4.0	3.7
	8.7	9.1

NOTE 14: FAIR VALUE

NOTE 14A: BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Fixed Interest Securities	Level 1	Fixed interest securities are valued at net market value based on current yields	Not required	Not required
Pooled Equity Funds	Level 2	Closing bid price where bid and offer prices are published; or the single price, as applicable	Net Asset Value (NAV)-based pricing set on a forward pricing basis and in the case of accumulation funds, reinvested income net of applicable withholding tax	Not required
Forward Foreign Exchange Derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Derivatives - Futures	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Property, Infrastructure, Private Equity and Debt Funds	Level 3	Unit or security price as advised by Investment Manager or responsible entity	Funds share of net assets in limited partnership, using Financial Statements published by the manager as at the final day of the accounting period	Valuations could be affected by material events occurring between the date of the financial statements provided and the fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Please see paragraphs under the Net Assets Statement for more detail of our basis for measurement for the above Financial Instruments.

NOTE 14B: FAIR VALUE HIERARCHY

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, pooled property investments and pooled infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the Fund into levels 1 to 3, based on the level at which the fair value is observable:

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Values at 31 March 2024	£m	£m	£m	£m
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,202.4	1,629.6	1,069.1	3,901.1
Total fair value financial assets	1,202.4	1,659.6	1,069.1	3,901.1
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Total fair value financial liabilities	0.0	0.0	0.0	0.0
Net fair value financial assets	1,202.4	1,659.6	1,069.1	3,901.1

Values at 31 March 2023	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,017.9	1,602.0	927.7	3,547.6
Total fair value financial assets	1,017.9	1,602.0	927.7	3,547.6
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	(0.3)	0.0	(0.3)
Total fair value financial liabilities	0.0	(0.3)	0.0	(0.3)
Net fair value financial assets	1,017.9	1,601.7	927.7	3,547.3

NOTE 14C: SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described in Note 14a are likely to be accurate to within the following ranges. This sets out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Sensitivity Analysis	Valuation range +/- %	Value as at 31 st March 2024 £m	Valuation Increase £m	Valuation Decrease £m
Pooled Investments - Property Funds	15.6	331.3	383.0	279.6
Pooled Investments - Infrastructure Funds	13.6	621.1	705.6	536.6
Pooled Investments - Debt Funds	8.8	115.1	125.2	105.0
Private Equity	31.2	1.6	2.1	1.1
Total		1,069.1	1,215.9	922.3

The valuation for these asset classes is based on the volatility over three years of monthly investment returns. The return is based upon the market value and income and trades supplied by our underlying managers and grouped accordingly.

4.0		Other investment Balances	4.6	
	13.0	Current assets		9.6
	1.7	Non-current assets		6.2
3,547.6	67.3		3,901.1	75.4
		Financial liabilities		
0.0		Derivatives - Futures	0.0	
0.0		Derivatives - Forward FX	0.0	
(0.3)		Other investment balances	0.0	
	(6.3)	Current liabilities		(5.2)
(0.3)	(6.3)		0.0	(5.2)
3,547.3	61.2		3,901.1	70.2

NOTE 15B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2023		31 March 2024
£m		£m
	Financial assets	
8.8	Fair value through profit and loss	348.3
4.1	Financial Assets at Amortised Cost	(0.4)
	Financial liabilities	
6.2	Fair value through profit and loss	0.0
19.1	Total	347.9

Fair value through profit and loss is the combination of realised and unrealised profit and loss. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 16: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In the course of everyday operating, the Fund is subject to a number of risk factors arising from the holding of financial instruments. The main risks arising from the holding of the Fund's financial instruments are market risk, credit risk and liquidity risk.

As detailed in the Investment Strategy Statement, the Fund holds equity and bond instruments in order to meet its investment objectives. The Fund's investment objectives and risk management policies are as follows.

- 1) The investment objective for the Fund is to: -
 - a. ensure that sufficient assets are available to meet liabilities as they fall due.
 - b. Maximise the return at an acceptable level of risk.
- 2) Risk management is mostly concerned with:
 - a. avoiding the possibility of loss, or
 - b. limiting a deficiency in the underlying Fund, or
 - c. avoiding a contribution rate increase in the future.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. There are three main types of market risk that the Fund is exposed to as at 31 March 2024:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

Equity risk refers to the risk arising from the volatility in stock prices; this can be systematic risk, the risk due to general market factors and affects the entire industry, or unsystematic risk, which refers to the risk specific to a company that arises due to the company specific characteristics. Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates. Foreign exchange risk arises because of fluctuations in the currency exchange rates.

The Fund reduces its unsystematic equity risk by diversifying investments across global markets, investing in over 1,000 companies worldwide through active segregated mandates and passive pooled funds. Investment restrictions are built into contracts held with each investment manager to ensure risk concentration is minimal and gearing of the Fund's equity and fixed income assets cannot take place. An equity protection strategy has also been implemented to protect against significant market falls in its passive equity portfolio.

Interest rate risk has been reduced through the holding of fewer bonds as a percentage of the Fund's total assets.

Foreign Exchange risk exists in relation to the Fund's overseas equity investments. The Fund runs un-hedged equity portfolios and therefore is subject to currency fluctuations. It is the Fund's view that in the long-run currency volatility trends to an average of nil against Sterling and therefore any hedging of currency would just be an additional cost to the Fund.

The Fund contracted Portfolio Evaluation Ltd (PEL) to measure the Fund's investment returns and the absolute and relative risk for each portfolio independently. During the financial year, PEL transferred their business to Hymans Robertson LLP. The Fund received quarterly reports from

PEL and Hymans Robertson LLP listing returns and risk. The Fund's independent investment adviser also provides an annual report to the Pension Investment Sub Committee, providing details of the Fund's risk and comparisons to other LGPS funds.

Equity Risk Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's independent investment adviser, PEL and Hymans Roberston LLP, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset Type	Potential Market Movements (+/-)
Fixed interest securities	6.1%
Global bonds	5.3%
UK equities	16.0%
Overseas equities	16.7%
UK pooled investment vehicles	16.0%
Overseas pooled investment vehicles	16.7%
Global pooled investment vehicles	16.7%
Emerging markets pooled equities	16.7%
Pooled property investments	15.6%
Pooled infrastructure investments	13.6%
Private Equity	31.2%
Cash and cash equivalents	0.3%
Pooled debt investments	8.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain the same.

If the market price of the Fund's investments increases/decreases in line with the potential market movements above, the change in the net assets available to pay benefits will be as follows (the actual prior year movement in all asset classes is shown in Note 12):

Asset Type	Value as at	Percentage change	Value on	Value on
	31 March 2024		increase	decrease
	£m	%	£m	£m
Cash and cash equivalents	9.1	0.3	9.1	9.1
Investment portfolio assets:				
UK fixed interest securities	175.3	6.1	186.0	164.6
Overseas fixed interest securities	0.0	0.0	0.0	0.0
Global bonds	199.7	5.4	210.6	188.8
UK equities	4.3	16.0	5.0	3.6
Overseas equities	350.9	16.7	409.3	292.5
UK pooled investment vehicles	614.9	16.0	713.4	516.4

Asset Type	Value as at	Percentage change	Value on	Value on
	31 March 2024		increase	decrease
	£m	%	£m	£m
Overseas pooled investment vehicles	509.9	16.7	594.8	425.0
Global pooled investment vehicles	933.4	16.7	1,088.9	777.9
Emerging market pooled equities	39.1	23.0	48.1	30.1
Pooled property investments	331.3	15.6	383.0	279.6
Pooled infrastructure investments	621.1	13.6	705.3	536.9
Pooled debt investments	115.1	8.8	125.2	105.0
Private Equity	1.6	31.2	2.1	1.1
Net derivative assets	0.0	0.0	0.0	0.0
Investment income due	4.6	0.0	4.6	4.6
Amounts receivable for sales	0.0	0.0	0.0	0.0
Amount payable for purchases	0.0	0.0	0.0	0.0
Total	3,910.2		4,485.5	3,335.1

Prior-year comparators

Asset Type	Value as at	Percentage change	Value on	Value on
	31 March 2023		increase	decrease
	£m	%	£m	£m
Cash and cash equivalents	8.7	0.0	8.7	8.7
Investment portfolio assets:				
UK fixed interest securities	0.0	7.0	0.0	0.0
Overseas fixed interest securities	0.0	7.0	0.0	0.0
Global bonds	184.0	7.0	196.9	171.1
UK equities	4.2	12.5	4.7	3.7
Overseas equities	322.8	12.6	363.5	282.1
UK pooled investment vehicles	608.0	12.5	684.0	532.0
Overseas pooled investment vehicles	407.1	10.7	450.7	363.5
Global pooled investment vehicles	756.9	10.7	837.9	675.9
Emerging market pooled equities	332.9	10.7	368.5	297.3
Pooled property investments	323.6	5.6	341.6	305.6
Pooled infrastructure investments	511.8	6.6	545.5	478.1
Pooled debt Investments	92.3	5.6	97.4	87.2
Net derivative assets	0.0	0.0	0.0	0.0
Investment income due	3.7	0.0	3.7	3.7
Amounts receivable for sales	0.3	0.0	0.3	0.3
Amount payable for purchases	(0.3)	0.0	(0.3)	(0.3)
Total	3,556.0		3,903.1	3,208.9

Interest Rate Risk Analysis

The Fund's direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2023	Value as at 31 March 2024
	£m	£m
Cash and cash equivalents	8.7	9.1
Cash balances	42.5	49.1
Fixed interest securities	0.0	0.0
Total	51.2	58.2

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The Fund's performance reporting advisor, Portfolio Evaluation Limited, has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely to happen.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2023 of a +/- 100 basis points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and cash equivalents	9.1	9.2	9.0
Cash balances	49.1	49.6	48.6
Fixed interest securities	0.0	0.0	0.0
Total change in assets available	58.2	58.8	57.6

Asset Type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and cash equivalents	8.7	8.8	8.6
Cash balances	42.5	42.9	42.1
Fixed interest securities	0.0	0.0	0.0
Total change in assets available	51.2	51.7	50.7

A 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will have a small effect on the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

The following table summarises the Fund's currency exposure:

Currency exposure - asset type	Asset value as at 31 March 2023	Asset value as at 31 March 2024
	£m	£m
Overseas quoted securities	322.8	350.9
Overseas pooled investment vehicles	407.1	509.9
Global pooled investment vehicles	756.9	933.4
Global bonds and pooled EM equities	516.9	238.8
Overseas pooled property investments	90.8	89.9
Overseas pooled infrastructure investments	171.1	344.9
Total overseas assets	2,265.6	2,467.8

Overseas bonds are 100% hedged to GBP as at 31 March 2024.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurement provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be as follows:

This analysis assumes that all other variables, in particular interest rates, remain constant.

Asset Type	Potential Currency Exposure Movements (+/-)
Overseas quoted securities	10.3%
Overseas pooled investment vehicles	8.8%
Global pooled investment vehicles	9.3%
Global bonds and pooled EM equities	8.9%
Overseas pooled property investments	7.7%
Overseas pooled Infrastructure investments	8.6%

A strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Change to net assets available to pay benefits		
	Asset value as at 31 March 2024	Value on Increase	Value on Decrease
	£m	£m	£m
Overseas quoted securities	350.9	386.9	314.9
Overseas pooled investment vehicles	509.9	554.7	465.1
Global pooled investment vehicles	933.4	1,020.4	846.4
Global bonds and pooled EM equities	238.8	260.2	217.4
Overseas pooled property investments	89.9	96.8	83.0
Overseas pooled Infrastructure investments	344.9	374.6	315.2
Total change in assets available	2,467.8	2,693.7	2,241.9

Prior-year comparators

Currency exposure - asset type	Change to net assets available to pay benefits		
	Asset value as at 31 March 2023	+6.5%	-6.5%
	£m	£m	£m
Overseas quoted securities	322.8	341.8	308.8
Overseas pooled investment vehicles	407.1	431.1	383.1
Global pooled investment vehicles	756.9	801.6	712.2
Global bonds and pooled EM equities	516.9	547.4	486.4
Overseas pooled property investments	90.8	96.2	85.4
Overseas pooled infrastructure investments	171.1	182.2	160.0
Total change in assets available	2,265.6	2,400.3	2,130.9

The below table displays a breakdown by currency. Please note that not all currencies which the Fund has exposure to are modelled individually. The table individually sets out those currencies which are modelled. The remaining currencies are included in the 'Other' row. This 9.3% volatility for 'Other' is the 1 year expected standard deviation for an individual currency at 31 March 2024. It assumes no diversification with other assets and, in particular, that interest rates remain constant.

The figures below do not include the foreign currency exposure via the Corporate Bond Pooled Fund as this is hedged by the investment manager.

Currency	Value £m	Allocation %	Volatility %
US Dollar	780.3	19.6%	9.7%
Euro	496.9	12.7%	7.4%
HK Dollar	30.6	0.8%	9.6%
Japanese Yen	190.6	4.9%	11.0%

Danish Krone	24.1	0.6%	7.4%
Swedish Krone	18.1	0.5%	9.0%
Swiss Franc	44.6	1.1%	9.0%
Other	882.4	22.6%	9.3%
Total	2,467.8	63.1%	9.1%

Credit Risk

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivatives position, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Investment restrictions are listed in the contract held with the manager, which limit the amount of credit risk the manager is allowed to take and states an average credit rating with regards to bonds held that should be maintained.

The bond manager provides a quarterly investment report to the Fund, which details the credit risk held in the portfolio. The Fund's independent investment adviser also provides a yearly report to the Pension Investment Sub Committee, providing details of the Fund's bond portfolio absolute and relative risk.

Deposits are not made with banks and financial institutions unless they are rated independently and have a strong credit rating. In addition, the Fund invests in Cash Instruments, which facilitate management of assets under custody, all liquidity funds chosen have an 'AAA' rating from a leading rating agency. Swap collateral is held to support our equity protection hedge.

The Fund's cash holding at 31 March 2024 was £58.2 million (31 March 2023: £51.2 million). This was held with the following institutions:

Summary	Rating	Balances as at 31	Balances as at 31
		March 2023	March 2024
		£m	£m
Cash Instruments			
BNY Mellon US Dollar Liquidity Fund	AAA	4.1	3.7
Bank deposit accounts			
The Bank of New York Mellon	A-1+	4.6	5.4
Barclays Bank PLC – Notice Account	A-1	10.0	10.0
Bank current accounts			
Barclays Bank PLC	A-1	32.5	39.1
Total		51.2	58.2

The above assets are held at amortised cost and are either liquid or very short-dated securities in high-quality counterparties. Therefore, the expected loss is assessed as a trivial sum and no allowance has been set aside for this.

Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the Fund has adequate cash resources to meet commitments.

NOTE 17: CURRENT ASSETS

	2022/23	2023/24
	£m	£m
Contributions due from employer in respect of:		
Employer	7.3	6.2
Members	2.0	2.1
Cash balances	42.5	49.1
Other Debtors	3.7	1.3
	55.5	58.7

The above assets are carried at amortised cost, other than cash balances and other debtors (see below), as the funds are due from Government institutions and therefore no allowance for expected losses has been set aside.

NOTE 18: NON-CURRENT ASSETS

	2022/23	2023/24
	£m	£m
*LGPSC capital advance treated as loan	0.7	0.7
**Reimbursement of lifetime tax allowances	0.7	0.9
Contributions from employers	0.2	1.0
Augmentation	0.1	3.6
	1.7	6.2

*This was part of the regulatory capital required to set up the company LGPS Central Limited.

**This includes debtor in relation to the lifetime tax allowance limit, as the Fund pays all the tax upfront on behalf of the pensioner and is reimbursed from additional pension deductions over time.

NOTE 19: CURRENT LIABILITIES

	2022/23	2023/24
	£m	£m
Investment management expenses	(0.7)	(0.9)
Payroll and external vendors	(0.6)	0.0
Other expenses	(4.8)	(4.3)
	(6.1)	(5.2)

NOTE 20: RELATED PARTY TRANSACTIONS

Worcestershire County Council

The Fund is administered by Worcestershire County Council. Consequently, there is a strong relationship between the Council and the Fund.

The Council incurred costs of £2.4 million in 2023/2024 (2022/2023: £1.8 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £28.0 million to the Fund in 2023/2024 (2022/2023: £13.8 million).

LGPSC has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight Funds participating.

The Fund's share of LGPSC annual running costs of £0.8 million was charged to the Fund in 2023/2024 by LGPSC (£0.7 million in 2022/2023).

Worcestershire County Council, as the Administering Authority of the Worcestershire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Limited that transferred into the company on creation. If this guarantee is called, this will be funded by the Fund.

Key Management Personnel

The posts of Chief Financial Officer, Head of Pensions Investments and Head of Pensions Administration are deemed to be key management personnel. The financial value of their relationship with the Fund (in accordance with IAS24) is set out below:

	2022/23	2023/24
	£000	£000
Short term benefits*	106	206
Long term/ post-retirement benefits**	143	432
	249	638

*This is annual salary, benefits in kind and employer contributions.

**This is the accrued pension benefits, expressed as cash equivalent transfer value.

Governance

The Pensions Committee Employer Representative, Employee Representative and Chief Financial Officer are active members of the Fund.

NOTE 21: CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Outstanding capital commitments (investments) at 31 March 2024 totalled £283.7 million (31 March 2022: £332.9 million). Outstanding capital commitments are reduced due to the further drawdowns made during 2023, resulting in some investments becoming fully committed.

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in pooled property investments, pooled infrastructure investments and pooled debt investments. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of the original commitment.

NOTE 22: CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the accounts. As at 31 March 2024 the Fund did not have any contingent assets.

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Fund provides an in-house AVC scheme for its members. In 2023/2024 some members of the Fund paid voluntary contributions and transfers to Scottish Widows and Utmost Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme employers to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Fund Account in accordance with Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed as a note only.

The amounts administered under AVC arrangements are as follows:

	2022/23	2023/24
	£m	£m
Contributions received	0.2	0.2
Investments purchased	0.2	0.0
Change in market value	0.2	0.0
Retirement benefits paid or transferred	(0.3)	(0.5)

The combined value of the AVC funds as at 31 March 2024 was £2.4 million (31 March 2023: £3.0 million).

NOTE 24: AGENCY SERVICES

The Fund pays discretionary awards to the former employees of Herefordshire County Council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer. The sums are disclosed below.

	2022/23	2023/24
	£m	£m
Payments on behalf of Herefordshire County Council	0.1	0.1
	0.1	0.1

NOTE 25: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's liabilities are calculated every three years by the actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 2. This estimate is subject to significant variances based on changes to the underlying assumptions.

There were no significant changes to the CIPFA code of practice on local authority accounting (the code).

NOTE 26: ASSUMPTIONS MADE ABOUT THE FUTURE AND ANY OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The item in the notes to the accounts as at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 2)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> ● a 0.1% real investment return lower than assumed would result in an 2% increase in the pension liability, which is equivalent to £67m. ● a 0.1% increase in assumed earnings inflation would result in a 0% increase in the value of liabilities, which is equivalent to £2m. ● a 0.1% increase in the rate of CPI inflation would result in a 2% increase in the value of liabilities, which is equivalent to £65m. ● a 1-year increase in assumed life expectancy would result in a 4% increase in the value of liabilities, which is equivalent to £152m.

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Property and infrastructure valuations. (Level 3 investments)</p>	<p>The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of geopolitical issues upon these illiquid assets as well as the concerns as to the current inflationary environment. The valuations have been updated based on the information available as at 31 March 2024 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date.</p>	<p>The total value of indirect property investments in the financial statements is £331.3m (£323.6m in 2022/23). There is a risk that this investment may be under or overstated in the accounts.</p> <p>The total value of direct infrastructure investments in the financial statements is £561.1m (£511.8m in 2022/23). There is a risk that this investment may be under or overstated in the accounts.</p>

VALUATION OF INVESTMENTS LEVEL 3

Financial instruments at level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, pooled property investments and pooled infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. As well as the details in the table above, further detail is provided in Notes 14a to c above.

**Independent auditor's report to the members of Worcestershire
County Council on the pension fund financial statements of
Worcestershire Pension Fund**

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