

MALVERN HILLS DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2020/21

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WELCOME TO THE STATEMENT OF ACCOUNTS

We hope you find these accounts interesting and informative. The accounts, together with the accompanying notes, explain the Council's services and how your Council Tax was spent during the year.

In these times of year on year cuts in government funding for local government the Council continues to be recognised for sound financial management and providing good value services. The Council remains committed to continuous improvement in all areas and to drive forwards best practice and value for money for the services delivered in the Malvern Hills District.

The Council achieved efficiency savings in excess of £265,000 for 20/21, which is around 4% of the original budget. Our updated Medium Term Financial Plan (MTFP) and Business Plan both provide a clear strategic direction for the Council finances through to 2025/26. We are confident of achieving the savings targets we have set for 2021/22 of £155,000, both to meet the increased financial pressures placed upon the Council by historic reductions in Government funding and the financial strain caused by the Covid-19 pandemic but also to keep Council Tax levels low for our residents.

The District Council collects Council Tax for Worcestershire County Council, the Police and Crime Commissioner, the Fire Authority and town and parish councils as well as ourselves. Our element of Council Tax for a Band D property was £162.60 for 2020/21. This represents around 9% of an average bill of £1,857.23 and remains one of the lowest district's Council Tax in the country.

It is pleasing to report that the Council achieved an underspend against both its revenue and capital budgets for the year, despite the continued budget pressures arising from the reductions in our levels of government funding but also the unprecedented pressures arising from the pandemic.

Finally, we thank you for showing an interest in the Council's finances.

Councillor Peter Whatley, Portfolio Holder for Resources
Andy Baldwin, Deputy Chief Executive.

NARRATIVE REPORT

1. Introduction

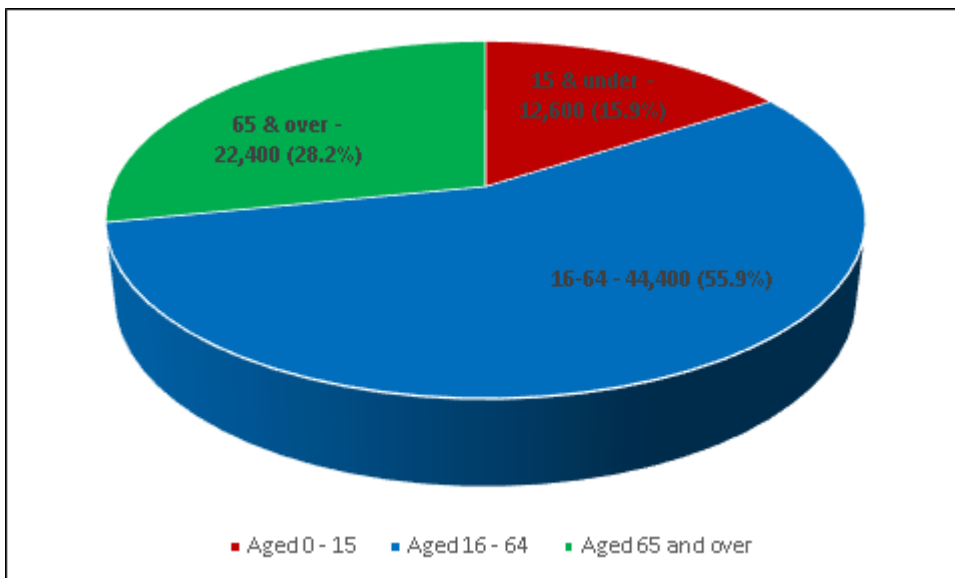
This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2021. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This narrative report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts. It also provides information about Malvern Hills District Council and the key issues affecting the Council and its accounts, including a summary of its financial position and non-financial performance at 31 March 2021. It also provides information regarding economy, efficiency and effectiveness in its use of resources over the financial year.

2. An Introduction to Malvern Hills

Malvern Hills is a relatively small rural district council in Worcestershire, with four main town settlements (Malvern, Kempsey, Upton upon Severn and Tenbury Wells) and a number of smaller parishes. The district shares its borders with the districts of Worcester City, Wychavon, Wyre Forest, Forest of Dean, Tewkesbury Borough and the counties of Herefordshire and Shropshire. The district encompasses beautiful countryside including the Malvern Hills Area of Outstanding Natural Beauty.

Malvern Hills is a great place to live, work and visit. In the 2020 Residents' Survey, 87% of residents told us that their local area was a good place to live.

The mid 2020 population estimates show the district had 79,400 residents with the age profile presented below.



Malvern Hills has an older population than the national average, with 28.2% of residents aged over 65 compared to the national average of approximately 19%.

House prices in the district are amongst the highest in Worcestershire and are above the national average. The average house price in the district is £288,347 compared with £261,585 for Worcestershire. The overall employment rate for the district is 77.3% (national average 79.1%) and the JSA and benefit claimant counts are low – 0.4% (UK – 0.5%) and 4.3 (UK –

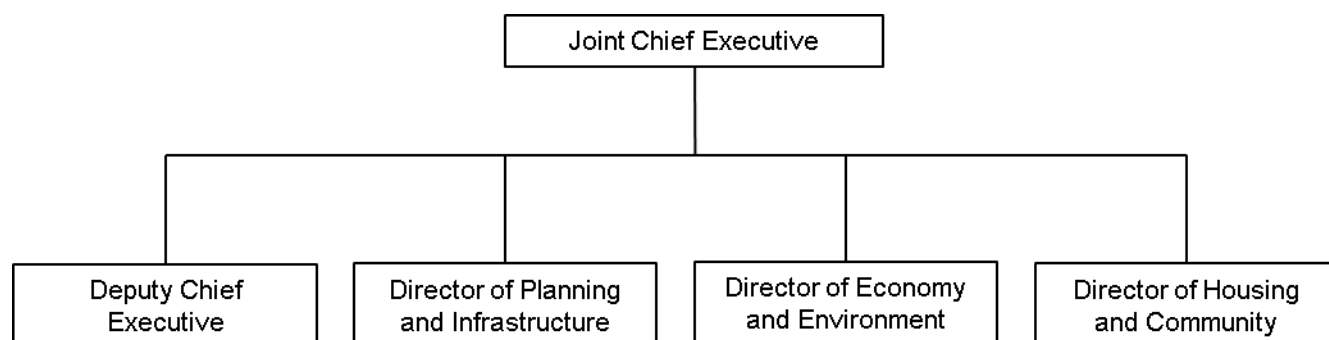
6.0) respectively. Average annual gross earnings are £30,875 slightly below the national average of £31,461.

3. About Malvern Hills District Council

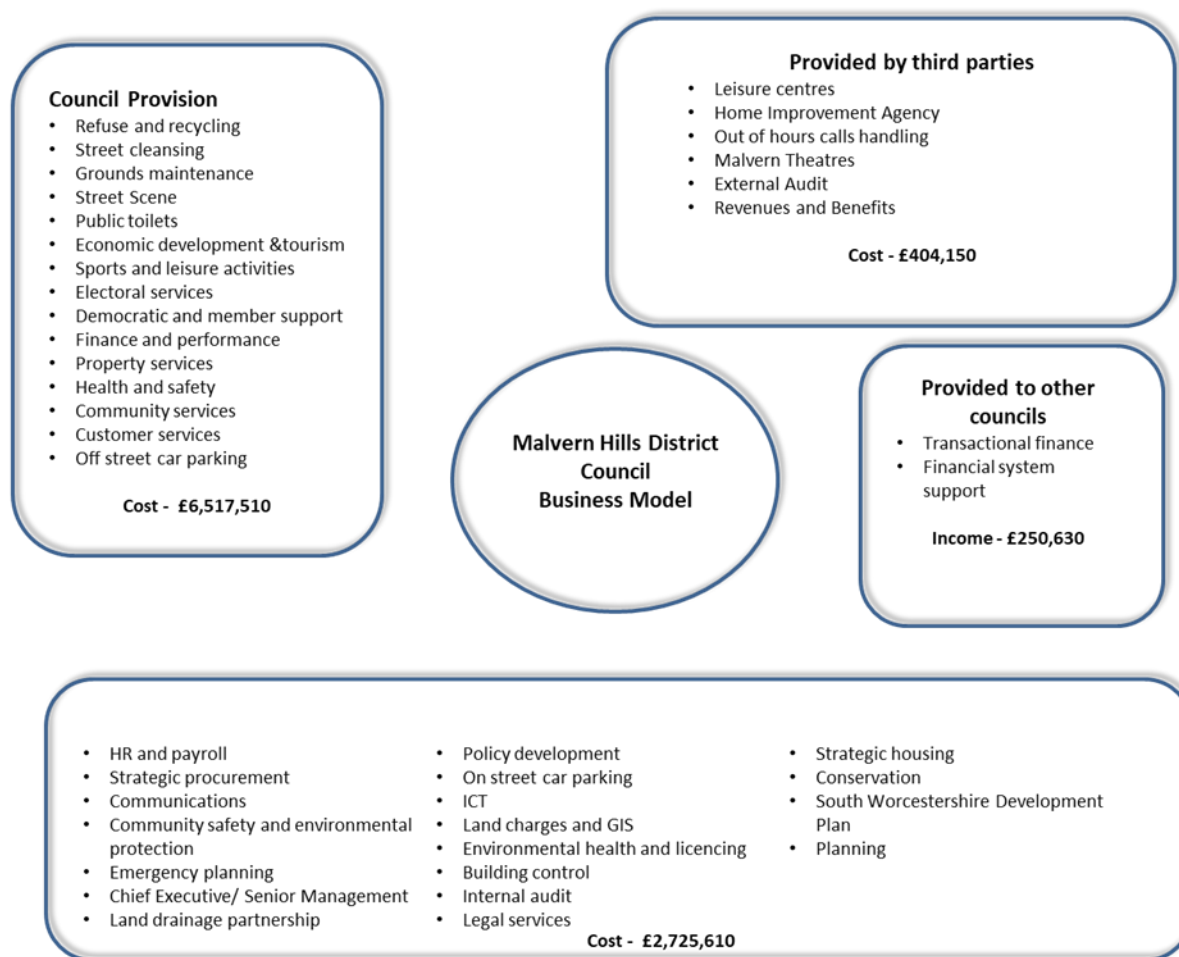
Residents of the district are represented by 38 councillors, with the political make up as follows:

Political Party	Number of Councillors
Conservative Party	13
Democratic Group	19 (14 independent, 5 Green Party)
Liberal Democrat Party	4
Labour Party	1
Independent	1

The Council employs a work force of approximately 160 staff to manage and deliver services to residents under the direction of the senior management team. The Council shares its senior management team with Wychavon District Council. The structure of the joint senior management team is below.



The Council provides a wide range of services to residents, through direct provision, joint working, strategic partnership and via third parties as shown below.



4. The 2020/21 Budgeting Process

The budget process was influenced by the on-going need for savings whilst maintaining council services to residents. Target budget reductions of £265,000 were identified for the year. A net budget of £8,957,560 was approved by Council in February 2020.

The approved budget included a £5 increase in the Council's band D Council Tax and an assumed Taxbase increase of 1.42%, resulting in an income from Council Tax of £5,105,235.

5. Financial Performance 2020/21

Actual net expenditure for the year was £10,431,217, resulting in an overspend of £1,473,257 as can be seen in the table below, which details the Council's final net revenue expenditure analysed by service. This reflects the net amount to be met by local taxpayers. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement (CIES) by the exclusion of costs relating to depreciation, revenue expenditure funded from capital under statute and certain pension adjustments.

The differences between the final net revenue expenditure below and the Net Cost of Service in the CIES are explained in more detail in the Expenditure and Funding Analysis at Note 7 to the Financial Statements.

Service	2020/21 Final Budget £000	2020/21 Net Expenditure £000	Underspend / (Overspend) £000
Chief Executive and SMT	423	421	2
Housing and Communities	926	898	28
Legal and Governance	575	484	91
Resources	3,875	5,132	(1,257)
Economy and Environment	2,655	2,782	(127)
Planning and Infrastructure	503	714	(211)
Total Net Expenditure by Service	8,957	10,431	(1,474)

Net expenditure was financed by:

Source of Funding	2020/21 Final Budget £000	2020/21 Net Income £000	Variance £000
Business Rates	(1,908)	(1,788)	(120)
New Homes Bonus	(1,752)	(1,752)	0
Council Tax	(5,105)	(5,105)	0
Use of Reserves	35	-	35
Rural Services Delivery Grant	(227)	(227)	-
Covid Support Funding	-	(1,785)	1,785
Total Funding	(8,957)	(10,657)	1,700

The main factor in generating an overspend in service expenditure is the Covid 19 pandemic. The impact of this is analysed further below.

The gross cost of service provision amounts to £30,141,000, and has been analysed by type as shown below:

Expenditure Types	2019/20 £000	2020/21 £000
Employees	7,448	6,704
Premises related	495	493
Transport related	855	843
Supplies and services	1,029	1,256
Third party payments	4,863	5,899
Transfer payments (Including payments in respect of Housing Benefit)	14,624	13,360
Capital charges	1,617	1,586
Gross Cost of Services	30,931	30,141

The Council received gross income of £21,054,000 and this is analysed by type as follows:

Income Type	2019/20 £000	2020/21 £000
Housing Benefits	(14,104)	(12,954)
Benefits Administration	(163)	(200)
Other Government Grants	(1,226)	(1,929)
Sales, Fees & Charges	(2,603)	(2,221)
Other Income	(4,164)	(3,751)
Total Income	(22,261)	(21,054)

The approved capital budget was revised to £3,600,000 with the addition of schemes brought forward from the previous financial year and further approvals in year. Capital expenditure for 2020/21 was £3,026,124 (£3,241,553 2019/20).

A summary of the capital expenditure in 2020/21 is shown below, £2,528,904 was added to the value of fixed assets and the balance was written off in year as a deferred charge in relation to Housing Grants, which are Disabled Facilities Grants made to residents and do not add to the Council's assets.

Capital Programme	Expenditure £000	Underspend £000
Housing Grants	497	113
Property Projects	2,178	302
Vehicles	351	59
Other	-	100
Total	3,026	574

The table below shows how the Council financed its capital expenditure:

Capital Financing	£000
Usable Capital Receipts	384
Earmarked Reserves	2,145
Capital Grants and other contributions	497
Total	3,026

A total of £3.941m has been carried forward in capital reserves to preserve funding for existing projects in future years.

The Council's general balances totalled £5.960m at 31 March 2021 (£5.737m at 31 March 2020) and cash balances were £8.041m (£9.560m at 31 March 2020).

6. Covid-19

The Covid-19 pandemic had a significant impact on the Council's operations and financial performance in 2020/21. When lockdown was implemented we saw immediate loss of income in key areas such as car parking, planning, building control, leisure and commercial waste and increased costs as we adapted services to meet the needs of residents with staff largely working from home. As shown above in sources of funding we received a significant level of grant support from the government which supported us in meeting the immediate financial impacts of the pandemic. However longer-term impacts on the key funding streams of council

tax and business rates are still unclear. The furlough scheme and business rates reliefs still in operation at the end of the financial year mean that the full impact on non-payment and council tax support is not yet known.

The detail of the Covid support funding received from the government is shown below:

Covid-19 LA Support Grant	£000
Tranche 2 (received July 2020)	787
Tranche 3 (received August 2020)	118
Tranche 4 (received November 2020)	152
Total	1,057

Sales, Fees and Charges Compensation	£000
April-July 2020	273
August-November 2020	205
December-March 2021	248
Total	727

During the year we received other grants to support services and residents as shown below

Other Covid Related Grants	£000
Council Tax Hardship Fund	409
Track and Trace Self-isolation payments	301
Re-opening town centres safely fund	56
LA compliance and enforcement grant	
LA emergency assistance (food & essential supplies)	54
National Leisure Recovery Fund	139
Local Income TAX Guarantee	185
Total	1,144

As part of the government's business support package the council received £34.768m in business support grant funding to pay to local businesses. Our business rates, economic development, communications and finance teams worked quickly to set up application and registration forms and distribute the grant payments.

Under the first scheme – Small Business and Retail, Leisure and Hospitality Grants, 96% of the funding received was paid out to eligible businesses with the balance being returned to the government. In the second round of payments we paid out 82% of the discretionary grant (Additional restrictions grant) and 86% of the local restrictions grants by 31st March with payments continuing into 2021/22.

A breakdown of the business grant funding received and paid to businesses in the year to 31st March 2021 is below:

Business Support Grant Funding	Received £000	Paid to Businesses £000	Number of businesses supported
Small Business and Retail, Leisure and Hospitality	20,989	18,990	1,679
Discretionary SB and RHL	965	965	156
Local restrictions support grant (Nov-Dec)	1,986	1,810	1,692
Wet led pubs	70	48	48
Local restrictions support grant (January one-off grant)	3,879	3,328	752
Local restrictions support grant (January six week)	1,940	1,665	752
Local restrictions support grant (Feb-March)	2,032	1,720	739
Additional Restrictions Grant	2,277	1,870	378
Total	34,768	30,396	

7. Outlook for 2021/22

The impact of the Covid-19 continues to have a significant impact on the Council with lockdown restrictions still in place. Income from commercial waste services, leisure services and car-parking will continue to be affected during the early part of the year. The impact of the phasing out of the furlough scheme and business rate reliefs on council tax support and collection rates and business rates collection rates. These pressures are partially offset by improved garden waste and planning income

Whilst there are continuing uncertainties including the outcome of the government's fairer funding review and the planned business rates revaluation, the council is well placed to effectively manage the financial pressures without significant impact on service delivery. There was a small increase in the general fund balance at 31 March and the council has earmarked reserves to support key priorities and the post Covid recovery.

8. Pensions Liability

The Council is a member of the Worcestershire County Council Pension Fund, a Local Government Pension Fund, all staff are able to join this from the commencement of their employment with the Council. The Council's share of the net pensions liability of the Fund as estimated by the fund actuary at 31 March 2021, was £30.7m (£31.2m 31 March 2020). The variation between years was largely due to changing assumptions by the Actuary, the main components of which were:

- An £11.6m increase in the pension fund liability due to changes in financial assumptions, e.g. on the assumed rate of inflation offset slightly by experience gains
- An increase of £12.01m in the pension fund assets (investments) due to changes in investment assumptions and interest rates.

Further details on changes in the Council's pension assets and liabilities can be found in note 18 to the accounts.

It is important to understand that the net pension liability valuation at 31 March is as at one point in time and as the fund assets are mainly invested in equities and bonds then the value of these and therefore the net pension liability can vary considerably as market values change.

9. Non-Financial Performance 2020/21

2020/21 has been a particularly challenging year due to the Covid-19 pandemic. Council staff, with the exception of the Environmental Services team, continue to work remotely with a small number of staff working from Council offices. The Environmental Services team have worked tirelessly to ensure refuse services continued across the district and maintained a high service level throughout the year.

Despite the financial and other challenges facing the Council, a high level of performance was maintained throughout the year. The Council uses a RAG (red, amber, green) rating system to monitor service performance against targets. In 2020/21 17 out of 20 performance indicators were green, 2 amber and 1 red. [The Annual Performance Report](#) reports the Council's performance indicators to Committee.

Key achievements over during 2020/21 include:

- Delivery of the government's business grant support schemes;
- Delivery of the track and trace self-isolation payment scheme with 290 grant payments being made;
- Paid £290,000 of hardship payments to families in receipt of council tax support and £134,000 of discretionary housing payments;
- Delivered support to local food banks, community support groups, charities and schools to reduce poverty through direct grant payments and support for crowd-funding schemes;
- Investment of £2m capital in the refurbishment of Malvern Splash;
- Achieved a record number of garden waste customers and tonnage collected;
- Above target delivery of affordable homes during the year;
- Excellent resident satisfaction results from the annual Residents' Survey;
- Over £650,000 of s106 grants made to local community groups and parish councils to support recreational facilities across the district;
- Launch the flood resilience grant scheme to support those affected by flooding in February 2020 to improve the resilience of their properties to flooding, with grants of over £170,000 paid in respect of 40 properties;
- Launch of the Ticket to Ride Fund to improve community-based transport across the district to improve accessibility and reduce loneliness and isolation;
- Secure a permanent Town Centre Recovery Officer;

10. Our Business and Corporate Plans

In response to the on-going challenges facing local government and Malvern Hills District Council in particular, we have updated our [Five Year Strategic Plan](#) and our Five Year Business Plan 2021-2026.

Our Five-Year Plan outlines the Council's vision, priorities and objectives including the actions required to achieve these.

The Council's vision is **'to enhance the Malvern Hills District as a destination to explore and an outstanding place to live and work'**

The Council has identified three key priorities with supporting objectives:

1. **Our Communities;**
 - a. Deliver quality and affordable housing;
 - b. Improve people's health and wellbeing;

- c. Supporting and engaging with communities.

2. Our Economy;

- a. Bring forward land and premises for business to grow;
- b. Develop the skills of our young people;
- c. Promote and develop the visitor experience of the Malverns;
- d. Improve our infrastructure and support economic growth.

3. Our Environment;

- a. Leading the district to become carbon neutral;
- b. Reduce household waste and increase recycling;
- c. Improve the natural environment;
- d. Improve the built environment.

Our Business Plan outlines our response to the significant financial challenges the Council continues to face and how we will maintain financial stability whilst continuing to deliver high quality services to our residents. The plan shows how we have met the financial challenge to date, saving £6.40m since 2010 and focuses on how we will meet the challenges we face over the next five years, our business model and our objectives.

The objectives established in developing this plan are:

- 1. Maintain financial sustainability;**
- 2. Deliver the business plan;**
- 3. Protect services where possible.**

The plan details how we expect our funding to change over the life of the plan and how we will maintain financial sustainability through a combination of efficiencies, partnerships and services, investment and growth and income and taxation. The 2020-21 Business Plan includes target savings over the plan of £800,000 per annum, all of which have been identified. It also examines the financial risks facing the Council and provides our financial forecast for the next five years including detailed savings/ income generation plans.

Both of these documents are reviewed and updated annually and are available on our website www.malvern hills.gov.uk.

Each Council service has its own service plan which is updated annually in line with the budgeting process. Service plans identify new initiatives and actions from the Five-Year Plan and Business Plan that will be undertaken in the following year. Service plans identify service risks, performance indicators, targets and milestones for activities and summarise the routine day to day tasks the service undertakes. Progress on service plans is monitored on a quarterly basis and these reviews are used to inform the quarterly performance report which is reviewed by Overview and Scrutiny and Executive Committees.

On completion of the service plans, the Corporate Risk Register is reviewed and amended as necessary. The Corporate Risk Register presents the strategic risks facing the Council. These are reviewed by SMT on a quarterly basis and reported to Audit and Standards Committee annually.

11. Summary Position

The Council has faced significant challenges and change during 2020/21 but has maintained financial stability and high level of service performance. The financial challenge will continue, but the Council is well placed through its Business Plan and Five Year Plan. The Council will

also focus on supporting the district in its recovery from the pandemic through its Covid-19 Recovery Plan.

12. Further Information

Further information about the accounts is available from andy.baldwin@malvern hills.gov.uk or

Deputy Chief Executive,
Malvern Hills District Council,
Council House,
Avenue Road,
Great Malvern, WR14 3AF.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at 31 March 2021. The Statement of Accounts is prepared in accordance with relevant International Financial Reporting Standards and the Code of Practice on Local Authority Accounting 2020/21 issued by CIPFA.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

All revenue and capital expenditure is accounted for on an accruals basis. That is, sums due to or from the Council during the year are recorded whether or not the cash has actually been received or paid during the year. In particular:

- Fees, charges, rents and other income are accounted for as income at the point the Council provides the goods or service;
- Supplies and services provided to the Council are treated as expenditure as they are consumed;
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the investment rather than the cash flows fixed or determined by 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. Where it is doubtful that a debtor balance will be recovered, the balance is written down and a charge made to revenue for the income that might not be collected.

Housing Benefit payments are an exception to this, where the expense is accounted for as payments are made. There is no material difference between the accruals and payment basis as there is little fluctuation between the payments made.

3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. the current and future years affected by the change and do not give rise to a prior period adjustment. During the year the Council changed the estimate of useful life of listed assets to be infinite as the Council has a statutory duty to maintain the assets indefinitely.

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

4. Government Grants and Contributions

Government grants and other contributions in relation to revenue expenditure are accounted for on an accruals basis and recognised in full in the accounting statements when there is reasonable assurance that the Council will comply with any conditions attached to the payments and that the payments will be received.

Amounts recognised as due are not credited to the CIES until any conditions attached to the grant or contribution have been satisfied. If conditions have not been satisfied the amounts are carried in the balance sheet as a creditor. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to fund capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Revenue Support Grant and New Homes Bonus are both general grant allocated by central government. As such they are non-ringfenced and credited to Taxation and Non-Specific Grant Income in the CIES.

Community Infrastructure Levy (CIL)

The authority has elected to charge a CIL which is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects CIL, which is a planning charge. CIL income will be used to fund a number of infrastructure projects (including transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges will be distributed to Parish councils and a proportion used to fund revenue expenditure incurred in administration of the scheme.

The charge collected is held in an earmarked reserve until such time as it is required for capital expenditure when it will be transferred to Capital Grants.

5. Overhead and Support Services Allocation

The Council does not allocate the cost of support services across service areas. The cost of support services are monitored and reported within the Resources department within the Council's financial reporting framework and CIES. The service costs reported in the CIES include appropriate charges for non current assets (i.e. depreciation, impairment and revaluations) and employee benefit accrued costs (i.e. pensions).

6. Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of goods and services, for rental to others or for administrative purposes and that are expected to be used in more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment has been capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. This excludes expenditure on repairs and maintenance which is charged direct to revenue accounts. Capital expenditure on assets which is less than £50,000 is treated as *deminimis* and is charged to services in the year that it is incurred.

Measurement

Property, Plant and Equipment are initially measured at cost including purchase price and any costs attributable to bringing the asset into use.

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

- Community assets and the Pepperpot – depreciated historical cost;
- All other assets – fair value, determined as the amount that would be paid for the asset in existing use (existing use value).

The Pepperpot is an ancient scheduled monument used as a visitors' centre and as such the only reliable valuation basis is depreciated historical cost.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. For any assets not revalued during the financial year, a review is carried out to assess whether there is a material difference between carrying value and fair value.

Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value 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 lines in the CIES.

The Revaluation Reserve contains revaluation gains since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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 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 value 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 lines in the CIES.

If an impairment loss is subsequently reversed, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. If there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Any receipts from disposal are credited to the same line in the CIES as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts as prescribed by the Local Government Act 2003. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

7. Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by the allocation of depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land, listed buildings and Community Assets.

Depreciation is not charged in the year of acquisition but a full year is charged in the year of disposal.

The charge is calculated on the following bases:

Asset Type	Estimated Asset Life	Depreciated Y/N	Method
Land	N/A	N	
Buildings	15 to 50 Years	Y	Straight Line
Buildings (Depot)	80 Years	Y	Straight Line
Vehicles, Plant & Equipment	5 to 25 Years	Y	Straight Line
Community Assets	N/A	N	
Investment Properties	N/A	N	
Assets Under Construction	N/A	N	
Listed Buildings	N/A	N	

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is classed as significant if its value is greater than 20% of the total value of the asset or is over £100,000, which ever is higher. The Council has not identified any assets with components meeting this definition.

Revaluation gains are also depreciated, with the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is charged to services for the use of fixed assets in the provision of those services.

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;

8. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually and revalued if market conditions at the year end indicates a material change affecting the valuation of the property. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any receipts above £10,000, the Capital Receipts Account.

9. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on council taxpayers.

10. Leases

The Council currently has operating leases which are charged to the relevant service in the CIES on a straight line basis over the term of the lease, this means that rentals are charged when they become payable.

The Council does not have any finance leases.

11. Heritage Assets

The council has identified a small number of Heritage Assets – three statues in the local area and a mural. These are held for the enhancement and appreciation of the history of the local area. The council has no cost records for the assets and due to their nature they cannot be reliably valued. The assets are therefore not recognised in the balance sheet.

12. Financial Instruments

Financial Assets

Financial assets are categorised based on a classification and measurement approach which reflects the reason for holding the assets and their cashflow characteristics. The Council's financial assets comprise preference shares in MHSP, ordinary voting shares in MHSP and investments in pooled funds.

There are three main measurement options for financial assets, each with criteria for recognition:

- a. Amortised cost;
- b. Fair value through profit or loss;
- c. Fair value through other comprehensive income.

The MHSP preference shares entitle the Council to receive fixed percentage rate dividends on an annual basis. As such these are classified as measured at amortised cost with valuation being the original investment plus any dividend receivable.

The MHSP investment in ordinary voting shares is held for the purpose of supporting is the promotion of job creation and economic development in the Malvern area. It does not entitle the Council to receive any dividend or other contractual cash flows and it is not held for the purpose of trading. As such the Council has made an irrevocable election to present changes to the value of the investment in other comprehensive income and expenditure. The investment is carried at fair value which is calculated based on the proportion of shareholders' funds attributable to the Council.

The Council holds investments in two pooled funds – the CCLA Local Authority Pooled Property Fund and the CCLA Diversified Income Fund. The Council holds these investments for the purpose of receiving interest and increasing the value of the investment. The Pooled Property Fund investment attracts interest at around 5% and the Diversified Income Fund

attracts interest at around 3%. Their value has been determined by reference to quoted market prices at 31 March 2019 for the purchase price of the units for the pooled fund.

The Council has taken the option of the statutory mitigation provide by the Code of Practice on Local Authority Accounting and has designated the investments as fair value through other comprehensive income for five years from 1 April 2018. As such, changes in the value of the investment will be presented in other comprehensive income and expenditure and held in a financial instruments reserve.

Financial Instrument	Classes	Balance Sheet Valuation	Examples in statement of Accounts
Financial Assets	Amortised cost	Amortised cost	Preference shares in MHSP, debtors
	Fair value through other comprehensive income and expenditure	Fair value	Pooled property fund, diversified income fund, ordinary shares in MHSP
Financial Liabilities		Amortised cost	Creditors

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

13. Inventories

Inventories are included at the latest price paid or net realisable value, if lower. This is a departure from the requirements of the Code, which requires stocks to be shown at actual cost or net realisable value. The effect of the different treatment is immaterial.

14. 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 short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of changes in value.

15. Reserves

In addition to its general revenue balances, the Council has set aside specific earmarked reserves for future identified expenditure. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When this expenditure is incurred it is charged against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax payer for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable reserves for the Council – these reserves are explained in the relevant policies.

16. Provisions and Contingent Liabilities

Provisions are made in accordance with IAS37. Provisions are made where an event has taken place that gives the Council an obligation that is likely or certain to require a settlement but where there is no certainty of the amount or where the timing is uncertain.

Provisions based on the best estimate of the likely settlement are charged to the relevant service revenue account in the CIES in the year that the Council becomes aware of the obligation.

When the expenditure is eventually incurred it is charged to the Provisions set up in the Balance Sheet. These Provisions are reviewed at the end of each financial year and if no longer required are reversed and credited back to the relevant service revenue account in the CIES.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) this is only recognised as income in the relevant service revenue account in the CIES if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council maintains provisions for bad and doubtful debts in respect of council tax, business rates, housing benefit overpayments and sundry debtors and also business rates appeals. Provisions have been estimated in accordance with recommended practice and past experience. Provisions for bad and doubtful debts reduce the value of total debtors shown on the Balance Sheet. Provisions for Business Rates appeals are held within short-term creditors on the balance sheet.

Other provisions are maintained for present obligations which will require settlement in future financial years.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

17. Events after the Balance Sheet Date

A non adjusting post balance sheet event is disclosed in note 6 to the accounts in accordance with IAS 10 Events after the Balance Sheet Date.

18. Estimation Techniques

In line with IFRS 8, a distinction is made between accounting policies and estimation techniques. Estimation techniques are the methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Throughout the notes to the accounts, reference is made to

the bases of any estimation techniques used. There have not been any material changes to the basis of the estimation techniques used since the preparation of the last Statement of Accounts.

19. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement age or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to the termination of employment of an officer or a group of officers.

When termination benefits involve the enhancement of pension benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits or the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

Post Employment Benefits

The Council participates in one defined benefits scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. A new actuarial valuation was undertaken by the funds actuaries Mercer Human Resource Consulting Limited as at 31 March 2017. This has revised contribution rates payable by the Council in future financial years.

The liabilities of the Worcestershire County Council Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of future payments based on assumptions. Liabilities are discounted to their value at current prices using a discount rate prescribed by the actuary.

The assets of the pension scheme are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked;

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs;
- Net interest on the defined benefit liability (asset) i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - Return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Changes in the net defined benefits liability – changes to the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information can be found in Worcestershire County Council's Superannuation Fund Annual Report, available on request from www.worcestershire.gov.uk

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20. Accounting for Council Tax

As a billing authority, the Council acts as an agent, collecting and distributing Council Tax income on behalf of its major preceptors - Worcestershire County Council, West Mercia Police Authority and Hereford and Worcester Fire Authority and itself.

Council Tax income for the year is the Council's accrued income for the year and not the amount required to be transferred from the Collection Fund under regulation. The difference between the amount included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserve Statement.

The cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and major preceptors. This results in a debtor/ creditor position between the Council and major preceptors for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council's share of Council Tax arrears and impairment for bad debts, Council Tax over payments and prepayments and the debtor/ creditor from the preceptors.

The Council's share of net cash collected from Council Tax debtors in the year is included within the Cash Flow Statement.

21. Accounting for Business Rates

During the year the Council was a member of the Worcestershire Business Rates Pool 75% Pilot Scheme. As a billing authority, the Council acts as an agent, collecting and distributing Business Rates income on behalf of its major preceptors. Under the Pooling scheme 75% of business rates income was distributed to the major preceptors (Worcestershire County Council and Hereford and Worcester Fire Authority) and 25% to MHCLG, with the Council receiving a payment to the general fund.

Business Rates income for the year is the payment received to the general fund and not the amount required to be transferred from the Collection Fund under regulation.

The cost of collection allowance is included within the CIES.

The cash collected by the Council from business rate payers belongs proportionately to the billing authority and major preceptors. This results in a debtor/ creditor position between the Council and major preceptors for the difference between the cash collected business rate payers and the amounts paid over during the year. The Balance Sheet includes the creditor amounts in relation to this and the Council's provision for appeals pre-dating the Pilot arrangements.

22. Accounting for Jointly Controlled Operations

The Council is a partner the Worcestershire Regulatory Shared Service Joint Committee. This arrangement is accounted for as a Jointly Controlled Operation. A Jointly Controlled Operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under this arrangement, each participant in the arrangement accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure, reduce local taxation or repay debt) and non-usable reserves (which cannot be used to fund services). The surplus (or deficit) on the Provision of Services shows the true economic cost of providing the council's services, more details of which are shown in the CIES. These are different from the statutory accounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020		5,736	12,912	384	-	19,034	(4,046)	14,987
<u>Movement in Reserves</u>								
Surplus on the provision of services		2,282	-	-	-	2,282	-	2,282
Other Comprehensive Income and Expenditure		-	-	-	-	-	11,006	11,006
Total Comprehensive Income & Expenditure		2,282	-	-	-	2,282	11,006	13,288
Adjustments between accounting basis & funding basis under regulations	8	1,371	(2,145)	(384)	186	(972)	972	-
Net Increase/ Decrease before Transfer to Earmarked Reserve		3,652	(2,145)	(384)	186	1,309	11,978	13,288
Transfers to/ from Earmarked Reserves	9	(3,428)	3,428	-	-	-	-	-
Increase/ (Decrease) in 2020/21		224	1,283	(384)	186	1,309	11,978	13,288
Balance at 31 March 2021		5,960	14,196	-	186	20,342	7,932	28,274

	Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019 (restated)		3,751	11,328	422	(424)	15,501	(6,439)	9,062
<u>Movement in Reserves</u>								
Surplus on the provision of services		3,556	-	-	-	3,556	-	3,556
Other Comprehensive Income and Expenditure		-	-	-	-	-	2,076	2,076
Total Comprehensive Income & Expenditure		3,556	-	-	-	3,556	2,076	6,262
Adjustments between accounting basis & funding basis under regulations	8	885	(555)	(38)	-	293	(316)	(23)
Net Increase/ (Decrease) before Transfer to Earmarked Reserve		4,442	(555)	(38)	-	3,849	2,390	6,239
Transfers to/ from Earmarked Reserves	9	(2,456)	2,140		-	(316)	-	(316)
Increase/ (Decrease) in 2019/20		1,985	1,585	-	-	3,553	2,390	5,923
Balance at 31 March 2020		5,736	12,912	384	-	19,034	(4,046)	14,987

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This reconciliation statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2019/20 Net Expenditure £000	2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
Service Expenditure Analysis					
Chief Executive		443	482	(67)	415
Housing and Communities		1,622	2,005	(768)	1,237
Legal and Governance		520	808	(334)	474
Resources		3,151	18,826	(15,621)	3,205
Economy and Environmental Services		3,088	4,780	(1,418)	3,363
Planning and Infrastructure		(155)	3,240	(2,847)	393
Net Cost of Services		8,670	30,141	(21,054)	9,087
Other Operating Expenditure	10	1,833			2,274
Financing & Investment Income and Expenditure	11	41			(76)
Taxation and non-specific grant income	12	(14,100)			(13,567)
(Surplus) on Provision of Services		(3,556)			(2,282)
Surplus on revaluation of long-term assets	22	(1,107)			(9,643)
Surplus on revaluation of financial assets	30	(735)			(285)
Re-measurement of the net defined benefit liability	18	(2,333)			(1,078)
Other Comprehensive Income and Expenditure		(2,706)			(11,006)
Total Comprehensive Income and Expenditure		(6,262)			(13,288)

BALANCE SHEET at 31 March

This statement shows the value on 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by usable and non-usable reserves.

	Notes	2020 £000	2021 £000
Property, Plant and Equipment	22	26,221	37,461
Investment Properties	22	2,365	2,387
Long Term Investments	30	12,038	14,301
Long Term Assets		40,625	54,149
Assets Held for Sale	31	497	497
Inventories	32	70	71
Short Term Debtors	33	2,509	3,383
Cash and Cash Equivalents	34	9,560	8,041
Current Assets		12,636	11,992
Short Term Creditors	35	(6,697)	(5,552)
Provisions	36	(394)	(1,610)
Current Liabilities		(7,091)	(7,162)
Pensions Liability	18	(31,183)	(30,705)
Long Term Liabilities		(32,227)	(30,705)
Net Assets		14,987	28,274
Usable Reserves		19,034	20,342
Unusable Reserves	37	(4,046)	7,932
Total Reserves		14,987	28,274

CASH FLOW STATEMENT

This shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of Council services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Notes	2019/20 £000	2020/21 £000
Net surplus on the provision of services		(3,556)	(2,282)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	(2,328)	(542)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,248	882
Net Cash flows from Operating Activities		(3,636)	(1,942)
Investing Activities	40	3,557	3,461
Net (increase) in cash and cash equivalents		(80)	1,519
Cash and cash equivalents at the beginning of the reporting period		9,481	9,560
Cash and cash equivalents at the end of the reporting period		9,560	8,041

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Going Concern

The Code of Practice on Local Authority Accounting issued by CIPFA requires that the Statement of Accounts is prepared on a going concern basis.

The restrictions imposed due to the Covid 19 outbreak (declared by the World Health Organisation as a global pandemic on 11th March 2020) have caused significant issues for businesses and residents within the district. As a result of this, from the last week in March 2020, the Council saw reductions in income due to premises closing on a temporary or permanent basis, requests to defer payments and in some cases customers and residents being unable to pay. The government has provided support to local authorities to cover lost income and additional costs incurred as a result of the crisis, of which the Council has received £1.785m.

The council has undertaken an assessment of the impact of the pandemic on the current and future financial position and is satisfied that there is no material uncertainty relating to going concern.

In 2021/22 the Council expects to received ongoing support from the government, including sales, fees and charges compensation, LA Covid Support, local taxation loss support in excess of £600,000. The initial estimates of income losses are set out below:

Income Streams (Annual Figures)

Service	Risk £000	RAG Rating	Loss
Freedom Leisure	340	Amber	170
Trade Waste	620	Amber	57
Green Waste	440	Green	0
Development Management	678	Green	0
Pre-Application Advice	61	Green	0
Building Control	137	Amber	21
Land Charges	122	Green	0
Car Parking Display & Permits	388	Amber	195
Car Parking Fines	94	Amber	61
Weddings	40	Amber	25
Property Rental	140	Green	0
Licensing	156	Green	4
Investment Interest	370	Green	0
TOTAL	3,587		533

Current information shows that business rates income is currently meeting expectations with s31 grant supporting business rate reductions across the district.

Financial performance is monitored on a monthly basis including detailed income forecasting for the financial year. The council reports financial performance to Executive Committee on a quarterly basis, with particular emphasis currently on the impact of Covid 19 on income and expenditure.

The council has undertaken an assessment of the impact on 2021/22 onwards, considering liquidity, general fund balances and reserves. The status of the 2021/21 Fairer Funding Review is currently unknown, therefore a flat rate of Government settlement for 2021/22 has been assumed. However, to be prudent we have left our assumption for 2021/22 in line with our previous medium-term financial plan, which will mean a small use of reserve balances (up to £100k), maintaining a general fund balance over £5m. A detailed cashflow forecast has been prepared covering the period to 31st December 2022. This demonstrates the Council has sufficient liquidity throughout the period to meet requirements without using any longer-term investments or borrowing. The modelling undertaken has used best and worst-case scenarios as well as a most reasonable estimate which show that collection rates for income, Council Tax and Business Rates would have decrease significantly below the worst case scenarios to cause liquidity or going concern issues.

2. Changes to Accounting Policies

There have been no significant changes to accounting policies during the year.

3. Accounting Standards That Have Been issued But Not Yet Been Adopted

The following issued accounting standards have not yet been adopted:

- IFRS 16 Accounting for Leases. This standard is effective from January 2019 and requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. Due to Covid-19 the implementation date has been delayed until April 2022. The Council will review all leases in place to ascertain the impact and will make any changes to accounting policies in 2021/22.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council revalues its property assets regularly and assesses each year whether there could have been a material impact on an assets value. Where there is a potential material impact the assets are revalued. All revaluations are undertaken by the Council's RICS qualified valuer with specialist advice as appropriate. Investment properties are revalued annually and an impairment review is also undertaken annually. When assets are revalued their useful lives are re-assessed. During 2019/20 a number of assets were valued and the revised values are incorporated within the accounts. The impact of the revaluations and any subsequent changes in useful lives are not considered material for depreciation purposes.
- The Council holds an investment in preference and ordinary shares in MHSP. This investment is held at fair value in the balance sheet, with the preference shares being valued at cost plus any accrued dividends and ordinary shares being valued based on projected shareholders funds. This arrangement is deemed a long-term investment and is treated as such in the balance sheet.

- The Council has identified components within long-term assets as being an individual component such as a boiler, air conditioning unit or lift with a value in excess of 20% of the total value of the asset or £100,000 (whichever is higher). Any components meeting this criteria will be accounted for in accordance with the requirements for component accounting. There are currently no components separately identified.
- The Council has made a provision for business rates appeals, based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the valuation office.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate that salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in note 18.
Bad Debt Provisions	The Council has sundry debtors of £510k and Housing Benefit debtors of £807k. Provisions for bad debts are made according to the age of the debt and a provision of £660k is in place.	If recoverability of these balances falls, the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt falls by 10%, an additional £73k would have to be set aside.
Provision for Business Rates Appeals	The Council maintains a provision for outstanding business rates appeals. The provision has been calculated based on the current list of live appeals, using analysis of previous appeals by third party advisors.	The Council has calculated the appeals provision based on likely percentage reductions in rateable values determined by class of property. If the percentage reduction increased by 1% across all classes of property, an additional £13k would have to be set aside.

The impact of changing depreciable useful lives was reviewed, however the impact of changing the depreciable useful life on a single asset or group of assets would be immaterial to the financial statements. The estimated useful life for listed buildings was reviewed and changed to indefinite during the year. The Council has four listed buildings – three within property, plant and equipment and one within assets held for sale. The impact of the change is immaterial to the Accounts.

The fair value of the investment in ordinary shares in MHSP has been calculated based on projected share holders' funds. The impact of changing the method of valuation would not have a material impact on the financial statements.

6. Material Items of Income and Expense

The council received a total of £1.758m in Covid support grants during the year.

7. Post Balance Sheets Events

On Friday 2nd July the Council completed the sale of 19/21 Church Street, a retail unit with apartment above. The asset was held on the balance sheet at a value of £393,225 and the receipt on disposal was £400,000.

8. Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with resources consumed or earned by the Council in accordance with generally accepted accounting principles. It also shows how expenditure is allocated between the Council's service areas. An analysis of the nature of the Council's income and expenditure is set out in the Narrative Report.

2020/21	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Transfers to and from Earmarked Reserves	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000
Chief Executive	421	6	-	415
Housing and Communities	898	(494)	154	1,237
Legal and Governance	484	10	-	474
Resources	5,133	(1,024)	2,952	3,205
Economy and Environmental Services	2,782	(611)	31	3,363
Planning and Infrastructure	714	30	291	393
Net Cost of Services	10,432	(2,084)	3,428	9,087
Other Income and Expenditure	(10,655)	714		(11,369)
(Surplus) or Deficit	(224)	(1,371)	3,428	(2,282)
Opening General Fund Balance	5,736			
Surplus on General Fund Balance	224			
Closing General Fund Balance at 31 March	5,960			
Opening Earmarked Reserves Balance			12,912	
Transfers from General Fund			3,428	
Assets Funded from Ear- marked Reserves			(2,145)	
Closing Earmarked Reserves Balance at 31 March			14,196	

2019/20	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Transfers to and from Earmarked Reserves £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Chief Executive	417	(26)	-	443
Housing and Communities	802	(783)	(37)	1,622
Legal and Governance	471	(50)	-	520
Resources	3,170	(1,323)	1,343	3,151
Economy and Environmental Services	2,508	(544)	(36)	3,088
Planning and Infrastructure	393	(139)	687	(155)
Net Cost of Services	7,761	(2,865)	1,956	8,670
Other Income and Expenditure	(10,246)	1,980		(12,226)
(Surplus) or Deficit	(2,485)	(885)	1,956	(3,556)
Opening General Fund Balance	3,751			
Transfer to Ear marked reserves	(500)			
Surplus on General Fund Balance	2,485			
Closing General Fund Balance at 31 March	5,736			
Opening Earmarked Reserves Balance			11,327	
Transfers from General Fund			2,456	
Assets Funded from Ear- marked Reserves			(555)	
Capital Grant Transfer			(316)	
Closing Earmarked Reserves Balance at 31 March			12,912	

7a. Notes to the Expenditure and Funding Analysis

2020/21 Adjustments between Funding and Accounting Basis

Adjustments from the General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes £000	Net Changes for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Chief Executive	-	(6)	-	(6)
Housing and Communities	501	(7)	-	494
Legal and Governance	-	(10)	-	(10)
Resources	257	(23)	790	1,024
Economy and Environmental Services	650	(39)	-	611
Planning and Infrastructure	-	(30)	-	(30)
Net Cost of Services	1,408	(114)	790	2,084
Other income and expenditure from the Expenditure and Funding Analysis	(683)	714	(745)	(714)
Difference between General fund surplus/ deficit and CIES Surplus or Deficit on the Provision of Services	725	600	46	1,371

2019/20 Adjustments between Funding and Accounting Basis

Adjustments from the General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes £000	Net Changes for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Chief Executive	-	26	-	26
Housing and Communities	749	34	-	783
Legal and Governance	-	50	-	50
Resources	501	109	712	1,323
Economy and Environmental Services	367	177	-	544
Planning and Infrastructure	-	139	-	139
Net Cost of Services	1,617	536	712	2,865
Other income and expenditure from the Expenditure and Funding Analysis	(1,996)	753	(737)	(1,980)
Difference between General fund surplus/ deficit and CIES Surplus or Deficit on the Provision of Services	(379)	1,289	(25)	885

Adjustments for Capital Purposes

This column adds in the depreciation and impairment and revaluation gains and losses to net cost of services and for:

- **Other operating expenditure** – adjusts the capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Taxation and non specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices and capital grants receivable in the year without conditions or for which conditions were satisfied in the year are credited to Taxation and Non Specific Grant Income.

Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **Net cost of services** - represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/ credited to the CIES and amounts payable/ receivable to be recognised under statute.

- **Net cost of services** – represents the adjustments required in respect of transfers to and from ear marked reserves and adjustments for items reported through services which fall under financing and investment income and expenditure within the CIES, including Investment Properties and Interest Received.
- **Taxation and non-specific grant income and expenditure** – the difference between what is chargeable under statutory regulations for council tax and business rates income projected at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7b. Segmental Income and Expenditure

The table below presents the segmental analysis net expenditure chargeable to the general fund balance.

2020/21	Chief Executive	Housing and Communities	Legal and Governance	Resources	Economy and Environmental Services	Planning and Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Revenues from external customers	-	(47)	(2)	(496)	(1,270)	(1,867)	(3,682)
Interest income	-	-	-	(548)	-	-	(548)
Housing benefit subsidy	-	-	-	(12,954)	-	-	(12,954)
Grants	-	(465)	-	(1,574)	(90)	-	(2,129)
Income from other local authorities	(63)	(245)	(297)	(402)	(54)	(858)	(1,919)
Other income	(4)	(10)	(35)	(364)	(4)	(122)	(538)
	(67)	(768)	(334)	(16,337)	(1,418)	(2,847)	(21,770)
Expenditure							
Employee expenses	288	366	743	1,930	2,234	1,258	6,818
Housing benefit claims	-	-	-	13,360	-	-	13,360
Charges from other local authorities	185	327	-	1,318	597	828	3,255
Transfer to/ (from) reserves	-	154	-	2,952	31	291	3,428
Other expenditure	14	819	75	1,910	1,338	1,184	5,341
	488	1,666	818	21,470	4,200	3,561	32,202
Net Cost of Service	421	898	484	5,133	2,782	714	10,432

2019/20

	Chief Executive	Housing and Communities	Legal and Governance	Resources	Economy and Environmental Services	Planning and Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Revenues from external customers	-	(34)	(4)	(1,327)	(1,354)	(2,056)	(4,776)
Interest income	-	-	-	(591)	-	-	(591)
Housing benefit subsidy	-	-	-	(14,104)	-	-	(14,104)
Grants	-	(483)	-	(859)	(9)	(37)	(1,389)
Income from other local authorities	(69)	(83)	(274)	(359)	(35)	(784)	(1,605)
Other income	(4)	(17)	(36)	(582)	(2)	(19)	(659)
	(73)	(617)	(315)	(17,823)	(1,401)	(2,896)	(23,124)
Expenditure							
Employee expenses	285	355	706	2,386	2,090	1,091	6,912
Housing benefit claims	-	-	-	14,624	-	-	14,624
Charges from other local authorities	179	346	-	1,274	568	802	3,170
Transfer to/ (from) reserves	-	(37)	-	1,343	(36)	687	1,956
Other expenditure	26	755	79	1,366	1,286	710	4,223
	490	1,419	785	20,993	3,908	3,289	30,885
Net Cost of Service	417	802	471	3,171	2,508	393	7,761

7c. Expenditure and Income Analysed by Nature

	2019/20 £'000	2020/21 £'000
Expenditure		
Employee benefits expenses	2,948	2,133
Other employee costs	4,500	4,571
Other service expenditure	22,770	22,668
Depreciation	672	876
Losses/ (gains) on revaluation	200	35
Revenue funded from capital under statute	745	497
Precepts and levies	2,211	2,274
Loss/ (gain) on the disposal of assets	(379)	-
Total expenditure	33,668	33,053
Income		
Fees, charges and other service income	(7,681)	(6,118)
Interest and investment income	(592)	(548)
Income from council tax and business rates	(11,190)	(9,120)
Government grants and contributions	(17,761)	(19,552)
Total income	(37,224)	(35,338)
Surplus or Deficit on the Provision of Services	(3,556)	(2,282)

8. Adjustments between Accounting Basis and Funding Basis under Regulations

The following table details the adjustments that are made to the total CIES recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2020/21

	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>					
Changes for depreciation and impairment of non-current assets	911	-	-	-	(911)
Movements in the market value of Investment Properties	-	-	-	-	-
Revenue expenditure funded from capital under statute	497	-	-	(497)	-
Changes in the value of cash investments					
	1,408	-	-	-	(911)
<u>Insertion of items not debited or credited to the CIES:</u>					
Assets funded by ear marked reserves		(2,145)	-		2,145
	-	(2,145)	-	-	2,145
<u>Adjustments involving the Capital Grants Unapplied Account</u>					
Capital grants and contributions unapplied credited to the CIES	(683)	-	-	683	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-
	(683)	-	-	683	(185)
<u>Adjustments involving the Capital Receipts Reserve</u>					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(384)	-	384
	-	-	(384)	-	384
<u>Adjustments involving the Pensions Reserve</u>					
Reversal of items relating to retirement benefits debited or credited to the CIES	2,133	-	-	-	(2,133)
Employers' pension contributions and direct payments to pensioners payable in the year	(1,533)	-	-	-	1,533
	600	-	-	-	(600)
<u>Adjustments involving the Collection Fund Adjustment Account</u>					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	46	-	-	-	(46)
	46	-	-	-	(46)
Total Adjustments	1,371	(2,145)	(384)	(186)	972

2019/20 Comparable Figures

	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>					
Changes for depreciation and impairment of non-current assets	872	-	-	-	(872)
Movements in the market value of Investment Properties	-	-	-	-	-
Revenue expenditure funded from capital under statute	745	-	-	(601)	(144)
Changes in the value of cash investments	-	-	-	-	-
	1,617	-	-	(601)	(1,016)
<u>Inclusion of items not debited or credited to the CIES</u>					
Assets funded by ear-marked reserves	-	(555)	-	-	532
		(555)			532
<u>Adjustments involving the Capital Grants Unapplied Account</u>					
Capital grants and contributions unapplied credited to the CIES	(1,617)	-	-	601	1,016
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-
	(1,617)	-	-	601	1,016
<u>Adjustments involving the Capital Receipts Reserve</u>					
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(378)	-	911	-	(533)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(949)	-	949
	(378)	-	(38)	-	416
<u>Adjustments involving the Pensions Reserve</u>					
Reversal of items relating to retirement benefits debited or credited to the CIES	2,948	-	-	-	(2,948)
Employers' pension contributions and direct payments to pensioners payable in the year	(1,659)	-	-	-	1,659
	1,289	-	-	-	(1,289)
<u>Adjustments involving the Collection Fund Adjustment Account</u>					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(25)	-	-	-	25
	(25)	-	-	-	25
<u>Adjustments involving the Accumulated Absences Account</u>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
Total Adjustments	885	(532)	(38)	-	316

9. Transfers to/ from Earmarked Reserves

The following table details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund expenditure.

	Balance at 31 March 2019 £000	Transfers (Out) / In 2019/20 £000	Balance at 31 March 2020 £000	Transfers (Out) / In 2020/21 £000	Balance at 31 March 2021 £000
General Fund:					
S106 Balances	5,349	480	5,829	276	6,106
Tenbury Business Park	50	-	50	-	50
Capital Replacement	3,659	845	4,504	(564)	3,940
Elections	146	(89)	57	40	97
Health Initiatives	30	(3)	27	(7)	20
Community Safety	10	(10)	-	14	14
Sports Development	14	(1)	13	2	15
Repairs and Maintenance	191	(21)	170	27	197
Emergency Planning	13	-	13	-	13
Malvern Vale Community Centre	375	-	375	-	375
Priorities	677	(330)	347	1,103	1,451
SWDP Review	286	(94)	192	18	210
Route to the Hills	22	(1)	21	-	21
Welfare Payments	33	(4)	29	(9)	20
Neighbourhood Planning	38	(38)	-	-	-
Flooding Support	90	10	100	-	100
Enigma Business Park	9	(6)	3	(3)	-
Covid	29	30	59	154	214
Housing Services	285	(17)	268	68	336
Property Searches	17	(17)	-	-	-
Priory Park	-	500	500	-	500
Town Centre Prospectus	-	55	55	-	55
Carbon Reduction Plan	-	250	250	(191)	59
Exiting EU	-	47	-	-	47
Ticket to Ride	-	-	-	86	86
Visitor Action Plan	-	-	-	20	20
Vehicle Maintenance Reserve	-	-	-	58	58
Council Tax Hardship	-	-	-	190	190
Total	11,328	1,585	12,912	1,284	14,196

10. Other Operating Expenditure

	2019/20 £000	2020/21 £000
Parish council precepts	1,742	1,790
Levies	470	484
(Gain)/ loss on the disposal of non-current assets	(378)	-
Total	1,833	2,274

11. Financing and Investment Income and Expenditure

	2019/20 £000	2020/21 £000
Net Pensions interest cost	753	714
Interest receivable and similar income	(563)	(506)
Income and expenditure in relation to investment properties and changes in their fair value	(149)	(284)
Total	41	(76)

12. Taxation and Non-specific Grant Income

	2019/20 £000	2020/21 £000
Council Tax income	(7,115)	(7,332)
Non-domestic rates	(4,075)	(1,788)
Government grants	(1,292)	(3,764)
Capital grants and contributions	(1,617)	(683)
Total	(14,100)	(13,567)

13. Business Rates

Income from business rates comprises:

	2019/20 £000	2020/21 £000
Business rates (after tariff payment)	-	(1,339)
S31 Grant Income	(68)	(5,101)
Collection Fund Deficit / (Surplus)	-	4,068
Amounts paid or due to MHLHC	-	(179)
Amounts paid in respect of previous year deficits	31	-
Prior year reconciliation amounts	26	(96)
MHDC appeals provision	394	781
Levy and risk reserve payments to/ (from) WBRP	-	77
Non detriment payment from WBRP	(4,458)	-
Total	(4,075)	(1,788)

14. Trading Operations

The Council operates a trade refuse service in competition with private companies; with the trading objective to break even. The Council also operates a number of industrial and commercial properties which are covered in note 27.

The income and expenditure associated with the trade refuse service is included within Economy and Environmental Services within Net Cost of Services on the CIES. The income and expenditure shown below do not include any allocation of central overheads which this service would accrue.

	Trade Refuse 2019/20 £000	Trade Refuse 2020/21 £000
Income	(627)	(493)
Expenditure	386	358
(Surplus) / Deficit on Trading	(241)	(135)

15. Members' Allowances

The allowances paid to members were £243,967 (£236,788 2019/20).

16. Employees' Remuneration

Expenses recognised for employee benefits are analysed below:

	2019/20 £000	2020/21 £000
Wages and salaries	4,568	4,606
National Insurance contributions	397	432
Pensions – defined benefit plans employer contribution	614	761
Pensions – defined benefit plans back funding payments	881	610
Total Employee benefits expense	6,461	6,410

The above table does not agree to employee costs in the subjective analysis as it only includes direct staff costs and not costs relating to agency, members or other indirect employee expenses.

The total remuneration of senior employees (including pension contributions) earning between £50,000 and £150,000 per year was:

2020/21						
Job Title	Salary £	Termination Payments £	Allowances & Benefits in Kind £	Total Remuneration £	Pension Contributions £	Total £
Deputy Chief Executive	93,108	-	318	93,426	15,046	108,472
Director of Planning & Infrastructure	86,461	-	74	86,535	14,120	100,655
	179,569	-	392	179,961	29,166	209,127

2019/20						
Job Title	Salary £	Termination Payments £	Allowances & Benefits in Kind £	Total Remuneration £	Pension Contributions £	Total £
Deputy Chief Executive	90,739	-	3,177	93,916	12,576	106,492
Head of Planning & Infrastructure*	40,982	-	981	41,964	4,327	46,291
Director of Planning & Infrastructure*	35,457	-	360	35,817	4,965	40,782
	167,178	-	4,518	171,697	21,868	193,565

The Council has a joint senior management team, shared with Wychavon District Council. The Joint Chief Executive, Director of Housing and Communities and Director of Economy and Environment are employed by Wychavon District Council and a proportion of their costs recharged to Malvern Hills. The Director of Planning and Infrastructure is employed by Malvern Hills and a proportion of their costs are recharged to Wychavon District Council.

The number of Council employees, whose remuneration (excluding employer's pension contributions) was in excess of £50,000, was:

Remuneration Band	2019/20	2020/21
£50,000 - £54,999	2	2
£55,000 - £59,999	1	1
£60,000 - £64,999	2	-
£65,000 - £69,999	1	2
£70,000 - £74,999	1	2
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	1	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
Total	8	9

The Council did not make any termination payments in 2020/21 (2019/20 £24,378). The table below sets out the numbers of exit packages per band and total cost of the compulsory and other redundancies.

Cost Band	No. of Compulsory Redundancies		No of Other Departures Agreed		Total		Total Cost of Exit Packages per Band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	3	-	1	-	4	-	24,378	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001- £60,000	-	-	-	-	-	-	-	-
Total	3	-	1	-	4	-	24,378	-

17. Trade Union Facility Time

Malvern Hills District Council recognises UNISON for collective bargaining purposes. Facility time details for the financial year were as follows:

Number of employees who were relevant union officials in the relevant period	1
Full time equivalent employee number	
Percentage of working hours spent on facility time	
0% of working hours	0 representatives
1 to 50% of working hours	1 representatives
51 to 99% of working hours	0 representatives
100% of working hours	0 representatives
Total pay bill	£5,815,772
Total cost of facility time	£321.28
Percentage of pay spent on facility time	0.001%
Hours spent on paid facility time	16
Hours spent on paid trade union activities	1
Percentage of hours spent on paid facility time	6.25%

18. Pensions Costs

As part of the terms and conditions of employment the Council offers retirement benefits to its employees. Although these benefits are not actually paid until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in a defined benefit scheme which is administered by Worcestershire County Council. This means that retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The Council and employees pay contributions into the fund, calculated at a level intended to balance pensions' liabilities with investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yield and the performance of the equity investments held. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as highlighted in the Statement of Accounting Policies.

Discretionary Post-retirement Benefits

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.

Transactions Relating to Retirement Benefits

The 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. However, the charge we are required to make against 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 CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Comprehensive Income & Expenditure Account				
Cost of Service				
<i>Service cost comprising</i>				
Current service cost	1,445	1,401	-	-
Past service cost	733	-	-	-
Administration expenses	17	18	-	-
Curtailments	-	-	-	-
Financing Income & Expenditure				
Net interest expense	753	714	-	-
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	2,948	2,133	-	-
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(3,365)	11,580	-	-
Experience gains and losses	(205)	1,942	391	48
Actuarial gains and losses arising on changes in demographic assumptions	2,789	-	56	-
Actuarial gains and losses arising on changes in financial assumptions	2,602	(12,286)	65	(206)
Other	-	-	-	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	1,821	1,236	512	(158)
Movement in Reserves				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,886)	(2,085)	(62)	(48)
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contribution payable to scheme	1,659	1,533	163	161
Retirement benefits payable to pensioners	(2,710)	(2,653)	(163)	(161)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Present value of the defined benefit	84,491	96,037	2,036	2,081
Fair value of plan assets	(55,344)	(67,413)	-	-
Net liability arising from defined benefit obligation	29,147	28,624	2,036	2,081

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening fair value of scheme assets	58,272	55,344	-	-
Interest Income	1,398	1,335	-	-
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	(3,365)	11,580	-	-
Administration expenses	(17)	(18)		
Contributions from employer	1,496	1,372	163	161
Contributions from employees into the scheme	270	292	-	-
Benefits paid	(2,710)	(2,492)	(163)	(161)
Closing fair value of scheme assets	55,344	67,413	-	-

Reconciliation of Present Value of the Scheme Liabilities

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	87,850	84,491	2,649	2,036
Current service cost	1,445	1,401		
Interest cost	2,089	2,001	62	48
Contributions from scheme participants	270	292		
Remeasurement (gains) and losses:				
Experience (gain)/ loss	205	(1,942)	(391)	(48)
Actuarial gains/ losses arising from changes in demographic assumptions	(2,789)	-	(56)	-
Actuarial gains/ losses arising from changes in financial assumptions	(2,602)	12,286	(65)	205
Past service cost	733	-	-	-
Losses/(gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Liabilities extinguished on settlement	-	-	-	-
Benefits paid	(2,710)	(2,492)	(163)	(161)
Closing balance at 31 March	84,491	96,037	2,036	2,081

Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2019/20	2020/21
	£000	£000
Cash and cash equivalents	333	-
Equity instruments by type:		
- UK quoted	112	82
- Overseas quoted	13,393	21,109
- PIV UK Managed Funds	6,973	9,364
- PIV UK Managed Funds (Overseas equities)	18,540	26,613
- PIV Overseas Managed Funds	55	82
Sub-total equity	39,073	57,250
Bonds by sector:		
- Corporate	2,767	-
- UK Government Fixed	3,985	-
- Other		60
- Overseas Government	55	-
Sub-total bonds	6,807	60
Property by region:		
- European Property Funds	1,273	1,289
- UK Property Debt	387	258
- Overseas Property Debt	277	193
- UK Property Funds	1,162	1,353
- Overseas REIT	111	64
Sub-total property	3,210	3,157
Alternatives:		
- UK Infrastructure	2,712	2,627
- European Infrastructure	1,494	1,868
- US Infrastructure	996	1,401
- UK Stock Options	387	233
- Overseas Stock Options	(332)	58
- Corporate Private Debt	664	759
Sub-total alternatives	5,921	6,946
Total assets	55,344	67,413

All scheme assets have quoted prices in active markets.

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 including mortality rates and salary levels. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries. The last full valuation of the scheme was as at 1 April 2019.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme & Unfunded Benefits Assumptions	2019/20	2020/21
Long term expected rate of return on assets in the scheme		
Equity Investments	6.5%	6.5%
Government Bonds	2.2%	2.2%
Other Bonds	2.5%	2.5%
Property	5.9%	5.9%
Cash / Liquidity	0.5%	0.5%
Mortality rates		
Longevity at 65 for current pensioners		
Male	22.6	22.7
Female	25	25.1
Longevity at 65 for future pensioners		
Male	24.2	24.4
Female	27	27.1
Other		
Rate of inflation (CPI)	2.1%	2.7%
Rate of increase in salaries	3.6%	4.2%
Rate of increase in pensions	2.2%	2.8%
Rate for discounting scheme liabilities	2.4%	2.1%
Take up of option to convert annual pension into retirement lump sum	n/a	n/a

Estimating defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period. This assumes for each assumption change that 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.

Impact on the Defined Benefit Obligation Scheme

	Increase in Assumption £'000
Longevity (increase by 1 year)	3,033
Rate of inflation (increase by 0.1%)	1,470
Rate of increase in salaries (increase by 0.1%)	109
Rate of discounting scheme liabilities (increase by 0.1%)	(1,449)
Investment Returns (increase by 1%)	(677)
Investment Returns (decrease by 1%)	677

Impact on the Council's Cash Flows

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £1.372m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2020/21.

Pensions Liability Relating to the Regulatory Shared Service

The Regulatory Shared Service is governed by a Joint Committee; this Council transferred its staff to the host authority (Bromsgrove District Council) on a fully funded basis. The shared services was admitted to the pension fund as a ghost admitted body, any liability or surplus that accrues is the responsibility of the partners to the shared services.

The tables below show the overall deficit for Worcestershire Regulatory Shared Service. The council's share of assets and liabilities in this scheme represents 9.67% of the total.

	31 March 2020	31 March 2021
	£000	£000
Present value of liabilities	(33,066)	(39,730)
Fair value of assets	23,344	26,312
Surplus / (Deficit) in scheme	(9,722)	(13,418)
Malvern Share	(940)	(1,297)

No provision is made to recover this deficit within these accounts. The deficit will be made good over time, either through improved fund performance or through higher contribution rates being paid into the fund, on the advice of the independent actuaries.

19. External Audit and Inspection

The Council is liable for fees relating to external audit and statutory inspection work undertaken. The following fees were paid to Ernst and Young LLP:

	2019/20	2020/21
	£000	£000
Certification of grant claims and returns	12	38
Audit fees	34	34
Total	46	72

20. Grant Income

The Council credited the following grants, contributions and donations to the CIES

	2019/20 £000	2020/21 £000
Credited to Taxation and Non Specific Grant Income		
MHCLG Rural Services Delivery Grant	-	227
MHCLG New Homes Bonus	1,292	1,752
Business Rates Income	4,075	1,788
LA Covid Support	-	1,057
Covid SFC Grant		727
Football Foundation re MTFC	699	-
S106 Grant re MTFC	317	-
MHCLG Disabled Facilities	601	683
Total	6,985	6,235
Credited to Services		
DWP Housing Benefit Subsidy	14,104	12,954
DWP Housing Benefit Admin	163	201
MHCLG NNDR Cost of Collection	106	104
MHCLG Homelessness	151	147
DEFRA – Flooding Relief	327	211
Cabinet Office – Parliamentary Election	204	-
Council Tax Hardship Payments (Covid)	-	409
Council Tax and NNDR Covid New Burdens	-	220
Self-isolation Payments	-	301
Covid Related Service Grants	-	154
Other Grants	438	367
Total	15,493	15,069

21. Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 7 and in detail in Note 20.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in the financial year is shown in note 15. The Council maintains a register of Councillors' interests that is regularly updated and available for public inspection.

During 2020/21, many Malvern Hills District Councillors were also County Councillors and/ or elected members of town and parish councils. The Council also has member representatives on various outside bodies, including Malvern Hills Citizens' Advice Bureau, Malvern Hills Trust, and Malvern Theatres Trust.

In accordance with contractual arrangements the Council paid grants of £66,670 to Malvern Citizens' Advice Bureau and £68,476 to Freedom Leisure in respect of Tenbury swimming pool. The Council paid £56,810 to Malvern Theatres Trust.

Officers

The Council has officer representation on the board of MHSP. Preference share dividends due to the Council of £367,037 remain outstanding at 31 March 2021.

Entities Controlled or Significantly Influenced by the Authority

The Council is a partner with member representation on the Worcestershire Regulatory Shared Service Joint Committee, which is a jointly controlled operation. Under this arrangement the Council paid £446,307 to Bromsgrove District Council, the host authority, owed £3,200 to and was owed £4,166 by Bromsgrove District Council.

The Council during 2020/21 also participated in the following shared services governed by SLA with other local authorities with the respective payments and amounts owed as at 31 March where applicable:

Shared Service	Council	Payments To/ (From) £'000	Amounts Owed To / (From) £'000
Revenues & Benefits	Wychavon	665	102
ICT	Wychavon	329	72
Building Control	Wychavon	(144)	53
Building Control	Worcester City	(65)	18
Internal Audit	Worcester City	51	13
Finance	Worcester City	(179)	(29)
Finance	Gloucester City	(73)	(1)
Human Resources	Wychavon	164	37
Land Drainage	Wychavon	40	-
Procurement	Wychavon	18	-
Legal Services	Wychavon	(297)	(84)
Housing	Wychavon	262	68
Planning Policy & Heritage	Wychavon	365	86
Communications & Strategy	Wychavon	8	-
SMT (net)	Wychavon	122	(16)
Car Parking Penalty Processing	Wychavon	27	-
Community Safety	Wychavon	(43)	(41)
Property	Wychavon	(51)	-
SWDP	Wychavon	(42)	16
SWDP	Worcester City	(61)	-
Development Control and Planning Enforcement	Wychavon	(560)	(149)
Land Charges	Wychavon	66	55
Policy Support	Wychavon	13	-

22. Movement of Non-current Assets

The movement in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were employed in 2020/21 by services contained within the CIES.

	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Investment Properties	Surplus Assets	Assets Under Construction	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	25,336	5,066	203	2,365	497	-	33,468
Additions	1,997	351	181	-	-	-	2,529
Revaluation increases (decreases) recognised in the Revaluation Reserve	8,198	-	-	-	-	-	8,198
Revaluation increases (decreases) recognised in the Surplus/ Deficit on the Provision of Services	(213)	-	-	179	-	-	(35)
Transfers	157	-	-	(157)	-	-	-
At 31 March 2021	35,474	5,418	384	2,387	497	-	44,160
Accumulated Depreciation and Impairment							
At 1 April 2020	(1,204)	(3,181)	-	-	-	-	(4,385)
Depreciation charge	(436)	(440)	-	-	-	-	(876)
Depreciation written out to the Revaluation Reserve	1,445	-	-	-	-	-	1,445
At 31 March 2021	(193)	(3,621)	-	-	-	-	(3,815)
Net Book Value At 31 March 2021	35,281	1,797	384	2,387	497	-	40,345

	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Investment Properties	Surplus Assets	Assets Under Construction	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2019	22,808	3,988	203	2,844	495	291	30,629
Additions	367	1,114	-	1,015	-	-	2,496
Revaluation increases (decreases) recognised in the Revaluation Reserve	1,126	-	-	-	(26)	-	1,100
Revaluation increases (decreases) recognised in the Surplus/ Deficit on the Provision of Services	(207)	-	-	-	7	-	(200)
Transfer to surplus assets	1,259	-	-	(1,484)	516	(291)	-
Disposals	-	(37)	-	(10)	(495)	-	(541)
At 31 March 2019	25,353	5,066	203	2,365	497	-	33,485
Accumulated Depreciation and Impairment							
At 1 April 2019	(893)	(2,854)	-	-	-	-	(3,747)
Depreciation charge	(335)	(337)	-	-	-	-	(672)
Depreciation written out to the Revaluation Reserve	8	-	-	-	-	-	8
Disposals	-	10	-	-	-	-	10
At 31 March 2020	(1,220)	(3,181)	-	-	-	-	(4,414)
Net Book Value	24,132	1,885	203	2,365	497	-	29,083
At 31 March 2020							

No special assumptions were made in estimating current values of property assets.

23. Capital Expenditure and Financing

	2019/20 £000	2020/21 £000
Capital Expenditure adding to Fixed Asset Valuation		
Land & Buildings	367	1,997
Vehicles Plant & Equipment	1,114	351
Community Assets	-	181
Investment Properties	1,015	-
Additions to Fixed Assets	2,496	2,529
Capital Expenditure not adding to Fixed Asset Valuation		
Revenue expenditure funded from capital under statute	745	497
Total Capital Expenditure	3,242	3,026
Financed By:		
Usable Capital Receipts	949	385
Grants and other contributions	1,761	497
Earmarked Reserves	553	2,145
Total Capital Financing	3,242	3,026

24. Capital Commitments

The Council had no capital commitments at 31 March 2021.

25. Information on Assets Held

The number of main fixed assets owned by the Council includes the following:

	31 March 2020	31 March 2021	Value £000
Operational Assets			
Offices (Administrative Buildings)	3	3	1,110
Car parks	13	13	2,945
Public conveniences	8	8	429
Leisure facilities	6	8	13,451
Depot	1	1	655
Heritage centre / museum	2	2	101
Theatre	1	1	16,558
Community Assets			
Parks, Open spaces, Recreational areas	3	4	384
Non-Operational Assets			
Commercial properties	3	1	500
Industrial properties	4	4	1,887
Assets Held for Sale			
Tourist Information Centre	1	1	104
Commercial Properties	2	2	393
Total	47	48	38,517

26. Fixed Asset Valuation

Properties which comprise the Council's operational portfolio (except vehicles, plant and equipment) are valued by MHDC's RICS qualified staff in accordance with the RICS Appraisal and Valuation Manual and the requirements of the Accounting Code of Practice. All assets held by the Council are valued on a regular basis having regard to use and type of asset. For 2019/20 the following assets were revalued as at 31 March 2021.

Asset Type	Increase/ (Decrease) £000
Museum	(188)
Theatre	8,316
Leisure Facilities	1,322
Investment Properties (Industrial)	179
Total	9,629

27. Investment Properties

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2019/20	2020/21
	£000	£000
Rental income from investment property	271	169
Direct operating expenses arising from investment property	(120)	62
Net gain	150	107

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The Council's investment properties comprise industrial units and office units, which are rented out to third party organisations to earn rental income.

During the year two assets, Sling Lane Playing Fields and Malvern Rugby Club were transferred to Operational Land and Buildings because the Council's purpose for holding them no longer meets the definition of Investment Property.

The following table summarises the movement in the fair value of investment properties over the year.

	2019/20	2020/21
	£000	£000
Balance at 1 April	2,844	2,365
Transfer in/ (out) of assets	(1,484)	(157)
Additions to investment properties	1,015	-
Disposal of investment properties	(10)	-
Net gains/ losses from fair value adjustments	-	179
Balance at 31 March	2,365	2,387

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

	Significant observable inputs (Level 2)	Fair value at 31 March 2021
	£'000	£'000
Industrial units	1,887	1,887
Commercial units	500	500
Total	2,387	2,387

2019/20 Comparative Figures

	Significant observable inputs (Level 2)	Fair value at 31 March 2020
	£'000	£'000
Industrial units	1,708	1,708
Commercial units	657	657
Total	2,365	2,365

There were no transfers between levels of the fair value hierarchy during the year.

Valuation Techniques used to determine Fair Value of Investment Properties

Significant observable inputs (Level 2)

Industrial and commercial units are valued using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use of Investment Properties

In estimating the fair value of investment properties, the highest and best use of the properties is their current use.

28. Heritage Assets

The council has identified a small number of Heritage Assets (three statues and a mural). These are held for the enhancement and appreciation of the history of the local area. The council has no cost records for the assets and due to their nature they cannot be reliably valued. Therefore they have not been recognised in the council's balance sheet as assets.

29. Leased Assets

Operating lease payments relating to photocopiers and printers of £11,769 were made (£12,583 2019/20). The Council's outstanding obligations under operating lease agreements at 31 March 2020 were as follows:

Financial Year	£000
2021/22	12
2022/23 onwards	47

30. Investments and Financial Instruments

The following categories of investments are carried in the balance sheet:

	Investments	
	31 March 2020 £'000	31 March 2021 £'000
Amortised Cost		
Malvern Hills Science Park Ltd (3% Preference shares)	1,358	1,389
Malvern Hills Science Park Ltd (6.37% Preference shares)	466	412
Fair value through other comprehensive income – designated equity instruments		
Malvern Hills Science Park Ltd (ordinary shares)	818	747
Fair value through other comprehensive income – other designation		
CCLA Local Authorities' Pooled Property Fund	6,705	6,658
CCLA Diversified Income Fund	2,692	5,095
Total	12,039	14,301

Investments held at amortised cost

The Council holds 1,044,900 1p non-voting cumulative preference shares (P1), 654 £1 non-voting cumulative preference shares (P2) in MHSP. The Council is entitled to a 3% dividend on the P1 preference shares and 6.37% dividend on the P2 dividends.

The value of these investments in the balance sheet is based on the price paid for the preference shares and the preference dividends receivable for 2010/11 to 2020/21 of £367,037 (2019/20 £389,238).

Investments in equity instruments designated at fair value through other comprehensive income

MHSP is a joint venture company in partnership with Worcestershire County Council, and Worcester Chamber of Commerce. The purpose of the venture is the promotion of job creation and economic development in the Malvern area. The Council has 9 of the 100 1p voting shares in the company, which equates to 9% of the ordinary share capital.

The Council has designated this investment as fair value through other comprehensive income. It is a strategic investment to support the Council's priorities as outlined above and is not held for trading purposes. No dividends are payable on the ordinary shares. The fair value of the investment is based on the proportion of shareholders' funds attributable to the Council. Projected shareholder funds at 31 March 2021 were £8,296,355 which gives an investment value of £746,672 (2019/20 £817,517). The increase in value was transferred to a financial instruments reserve.

Other investments designated at fair value through other comprehensive income

The Council has investments in two pooled funds – the CCLA Local Authorities Pooled Property Fund and the CCLA Diversified Income Fund. Their value has been determined by reference to quoted market prices at 31 March 2021 for the purchase price of the units for the pooled fund. Interest accrues on the pooled property fund investment at around 5% per annum and on the diversified income fund at around 3% per annum. The Council has taken the option of the statutory mitigation provide by the Code of Practice on Local Authority Accounting and has designated the investments as fair value through other comprehensive income for five years from 1 April 2018. This decision was approved by the Audit and Standards Committee on 18 July 2019.

The movement in these funds during 2020/21 was:

	Investments	
	Pooled Property Fund	Diversified Income Fund
	£000	£000
Balance at 1 April 2020	6,705	2,692
Additional investment during the year	-	2,000
	6,705	4,692
Change in valuation	(48)	404
Balance at 31 March 2021	6,658	5,096

The increase in valuation was transferred to a financial instruments reserve.

Income, Expense, Gains and Losses	Preference Shares 2020/21 £000	Ordinary Shares 2020/21 £000	Pooled Funds 2020/21 £000	Total 2020/21 £000
Investments				
Interest income included in surplus/ deficit on the provision of services	56	-	453	509
Gain / (Loss) on revaluation	-	(71)	356	285
Net gain for the year	56	(71)	(245)	794

Nature and Extent of Risk Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are through a legal framework set out in the Local Government Act 2004 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

These procedures require the Council to manage risk in the following ways:

- Formal adoption of the requirements of the Code of Practice;
- Annually approving prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Maximum and minimum exposures to fixed and variable rates;
 - Maximum and minimum for exposures to the maturity structure of its debt;
 - Maximum annual exposures to investments maturing beyond a year.

- Approving an investment strategy for the coming year setting out criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The Council's Treasury Management Strategy and Prudential Indicators are approved annually by Council prior to the start of the year to which they relate. This document outlines the detailed approach to managing risk in relation to the Council's treasury activity and any financial instrument exposure. Actual performance is reported quarterly to Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMP). These TMP are a requirement of the code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the annual investment strategy which 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 & Poors Ratings Services. The annual investment strategy also imposes a maximum amount and time to be invested within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

All cash deposits continue to be short-term (maturity less than one year). During the year the Council deposited funds with, Qatar National Bank (rated F1), Lloyds (rated F1), HSBC (rated F1) and CCLA.

The Council does not generally allow credit for its trade debtors. An aged analysis of the Council's debtor balances at 31 March 2021 is shown in the table below:

	2019/20 £000	2020/21 £000
Current	65	1
Less than 30 days	97	503
30-90 days	231	15
90- 150 days	9	2
Over 150 days	49	25
Total	451	546

The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 33.

An analysis of short term debtors is presented in note 33 and an analysis of short term creditors is presented in note 35. There are no material items within short term debtors and short term creditors which meet the definition of financial instruments.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Re-financing Risk

The Council currently has no debt and a limited investment portfolio, with all investments being in sterling and short term. Financial liabilities are limited to operating leases and short-term creditors. Cash flow procedures are in place and the approved treasury and investment strategies address the main risks around re-financing and maturity. The accountancy team manage the operational risks within the strategies and TMPs through monitoring investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

Market risk

1. Interest rate risk

The Council is exposed to interest rate movements on its investments. The Council has strategies in place for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set for ratio of financing costs to net revenue stream. The accountancy team monitor market and forecast interest rates within the year to adjust exposures appropriately.

2. Price risk

The Council, excluding the pension fund and the investments above, does not generally invest in equity shares. The MHSP shareholding is generally illiquid but the Council is exposed to decreases in the value of shareholders funds in MHSP. The investments in the pooled funds expose the Council to the risk of changes in the price of the fund units. For example, if the price of the units held by the Council at the year-end reduced by 1%, there would be a loss in fair value of £60,000.

3. Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to losses arising from movements in exchange rates.

31. Current Assets Held for Sale

	31 March 2020	31 March 2021
	£000	£000
Balance brought forward	495	497
Assets newly classified as held for sale	497	-
Assets sold during the year	(495)	-
Balance carried forward	497	497

32. Stocks

	31 March 2020 £000	31 March 2021 £000
Refuse collection	57	58
Fuel	12	13
Tourist Information Centre	-	-
Balance carried forward	69	71

33. Short-term Debtors

An analysis of debtors falling due within a period of one year is shown below. The appropriate level of bad debt provision is based upon an age analysis of arrears. In calculating the bad debt provision, 100% is provided for sundry debts over eight years old. The provision for more recent debts is based on a sliding scale according to the year due. For Housing Benefits and Council Tax debts, 100% is provided for debts over 5 years old. The provision for more recent debts is based on a sliding scale according to the year due. For NNDR debts, 100% is provided for debts over 2 years old. The provision for more recent debts is based on a sliding scale according to the year due.

The outstanding dividends due from MHSP for the current financial year are included in the valuation of the preference shares within the note on Financial Instruments.

	31 March 2020 £000	31 March 2021 £000
Council Taxpayers	283	326
NNDR Payers	2	312
Local Authorities	461	515
Government Departments	506	1,537
Payments in Advance	207	146
Other Debtors	1,850	1,735
	3,309	4,571
Less: Provision for Doubtful Debts	(800)	(1,188)
Total Debtors	2,509	3,383

All short-term debtors are unsecured. There are no long-term debtors.

34. Cash and Cash Equivalents

	31 March 2020 £000	31 March 2021 £000
Bank current accounts	9,560	8,041
Total Cash and Cash Equivalents	9,560	8,041

35. Short-Term Creditors

All short-term creditors are unsecured, there are no long-term creditors. An analysis of the Council's creditors is shown below:

	31 March 2020 £000	31 March 2021 £000
Council Taxpayers	130	150
Council Tax Preceptors	488	143
Local Authorities	2,489	1,540
Government Departments	1,278	826
Receipts in Advance	1,713	489
Other Creditors	599	2,404
Total Creditors	6,697	5,552

36. Provisions

	31 March 2020 £000	31 March 2021 £000
NNDR Appeals Provision	394	1,610
Total Provisions	394	1,610

The Council has made provision in respect of its share of lodged appeals against business rates valuations. This is based on local knowledge of settlement of appeals and national trends in appeals by property class. A number of outstanding appeals currently date back to 2010. It is anticipated that appeals will be resolved during the next financial year.

37. Unusable Reserves

	31 March 2020 £000	31 March 2021 £000
Revaluation Reserve	8,266	17,862
Financial Instruments Reserve	217	502
Capital Adjustment Account	18,681	20,345
Pensions Reserve	(31,183)	(30,705)
Collection Fund Adjustment Account	48	2
Accumulating Compensated Absences Adjustment Account	(74)	(73)
Total Unusable Reserves	(4,046)	7,932

Revaluation Reserve

This reserve contains the gains made by the Council from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	2019/20 £000	2020/21 £000
Balance at 1 April	7,512	8,266
Upward revaluation of assets		
Upward /(downward) revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	1,107	9,643
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,107	9,643
Accumulated gains on assets sold, scrapped or transferred	(354)	(47)
Balance at 31 March	8,266	17,862

Financial Instruments Reserve

This reserve contains the gains made by the Council from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2019/20 £000	2020/21 £000
Balance at 1 April	951	217
Upward revaluation of investments	(735)	285
Balance at 31 March	217	502

Capital Adjustment Account

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

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

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019/20 £000	2020/21 £000
Balance at 1 April	17,378	18,680
Reversal of items relating to capital expenditure debited or credited to the CIES:		
• Charges for depreciation and impairment of non-current assets	(872)	(911)
• Revenue expenditure funded from capital under statute	(745)	(497)
• Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	-	-
• Prior year revaluation corrections	-	-
Net amount written out of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	949	384
• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,617	497
• Use of capital replacement reserve to finance new capital expenditure	-	-
• Use of earmarked reserves to finance new expenditure	532	2,145
• Disposal of fixed assets	(531)	-
• Reversal of revaluation reserve on disposed assets	354	47
Movements in the market value of Investment Properties debited or credited to the CIES	-	-
Balance at 31 March	18,681	20,345

Pensions Reserve

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

	2019/20 £000	2020/21 £000
Balance at 1 April	(32,227)	(31,183)
Re-measurement of the net defined benefit liability	2,333	1,078
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,948)	(2,133)
Employer's pension contributions and direct payments to pensioners payable in the year	1,659	1,533
Balance at 31 March	(31,183)	(30,705)

Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £000	2020/21 £000
Balance at 1 April	22	48
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	25	(46)
Balance at 31 March	47	2

Accumulating Compensated Absences Adjustment Account

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

	2019/20 £000	2020/21 £000
Balance at 1 April	(73)	(73)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-
Balance at 31 March	(73)	(73)

38. Cash Flow Statement – Adjustments for Non Cash Movements

The adjustments for non-cash movements within the net deficit on the provision of services include the following items:

	2019/20 £000	2020/21 £000
Depreciation	(672)	(876)
Impairment and downward valuation	(200)	144
(Increase) in provisions for bad and doubtful debts	(1)	(387)
(Increase) in creditors	(966)	1,135
Increase/ (decrease) in debtors	415	1,262
Increase in stock	(21)	1
Items relating to retirement benefits	(1,289)	(600)
Adjustment to NNDR provisions	865	(1,217)
Carrying value of disposed of assets	(531)	-
Change in value of MHSP preference shares	57	25
Other non-cash movements	16	(29)
Adjustments for Non-cash Movements	(2,328)	(542)

39. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	(501)	(521)
Interest received	(501)	(521)

40. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment	2,496	2,529
Purchase of long-term investments	3,000	2,000
Proceeds from the sale of property, plant and equipment and investment property	(911)	-
Capital grants received	(990)	(683)
Net cash flows from investing activities	3,595	3,846

41. Contingent Liabilities

There are no contingent liabilities at 31 March 2021.

COLLECTION FUND

The Council has a statutory requirement to maintain a separate collection fund, which shows the transactions of the Council in relation to Business Rates and Council Tax. This illustrates how these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the Council. Administration costs are borne by the General Fund and shown in the CIES.

The Collection Fund summarises the income received from local taxpayers and business ratepayers. It also shows how the income was distributed to this Council, the County Council, parish and town councils, and the police and fire authorities.

Revenue Account	Notes	Council Tax 2019/20 £'000	NNDR 2019/20 £'000	Council Tax 2020/21 £'000	NNDR 2020/21 £'000
INCOME					
Council Tax	1	(55,633)		(57,952)	
Non-Domestic Rates	2	-	(16,181)	-	(7,294)
Transitional Relief		-	(238)	-	(62)
Total Income		(55,633)	(16,419)	(57,952)	(7,356)
EXPENDITURE					
Apportionment of Prior Year Surplus/ (Deficits)					
Central Government		-	1,125	-	469
Worcestershire County Council		-	203	-	1,496
Hereford & Worcester Fire Authority		-	23	-	19
West Mercia Police Authority		-	-	-	-
Malvern Hills District Council		-	901	-	(31)
		-	2,252	-	1,953
Precepts and Demands:					
Worcestershire County Council		39,029	10,542	41,164	1,402
Hereford & Worcester Fire Authority		2,611	142	2,700	177
West Mercia Police Authority		6,707	-	7,070	-
Malvern Hills District Council		4,878	-	5,105	6,319
Town and Parish Precepts and Conservators Levies	4	2,211	-	2,273	-
Central Government		-	3,562	-	7,899
		55,437	14,246	58,312	15,797
Business Rates:					
Provision for appeals		-	(3,145)	-	1,087
Write offs and adjustments for bad debt provisions		-	35	-	537
Cost of Collection Allowance		-	105	-	104
		-	(3,005)	-	1,668
(Surplus) / Deficit for the year		(196)	(2,926)	360	12,124
Movement of the Fund Balance					
Fund balance on 1 April		(173)	(2,174)	(369)	(5,100)
(Surplus) / Deficit for year		(196)	(2,926)	360	12,124
Fund Balance on 31 March	3	(369)	(5,100)	(8)	7,024

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, based upon 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund to meet the demands of this council, Worcestershire County Council and the West Mercia Police Authority, and Hereford & Worcester Fire & Rescue Service and dividing this by the taxbase.

The council taxbase is the total number of properties in each band adjusted by a proportion to convert the total to a band 'D' equivalent. The taxbase for 2020/21 was calculated as follows:

Tax Band	Number of properties	Adjusted number of properties after discounts, new & deleted dwellings	Band D ratio	Band D equivalent
A disabled	5	4.26	5/9	2.38
A	3,673	2,232.31	6/9	1,488.10
B	7,261	5,399.19	7/9	4,199.35
C	7,862	6,654.84	8/9	5,915.80
D	5,529	4,983.25	9/9	4,984.22
E	4,940	4,614.20	11/9	5,639.26
F	3,907	3,713.25	13/9	5,363.43
G	2,345	2,249.76	15/9	3,749.58
H	109	106.25	18/9	212.50
Total	35,631	29,957.31		31,554.62
Less assumed bad debt rate: 0.5%				(157.77)
Council Tax Base				31,396.84

(Some of these figures have been rounded)

The basic amount of council tax for a band 'D' property was £1,857.23 (£1,790.78 2019/20). This multiplied by the proportion specified for each band gives the council tax for each property.

2. Business Rates (NNDR)

NNDR is organised on a national basis with a Government specified rate of 49.9p for the financial year (49.1p 2019/20). Subject to the effects of reliefs and provisions, local businesses pay rates calculated by multiplying their rateable value by that amount.

Following the localisation of business rates, the Council is responsible for collecting rates due from the ratepayers in its area. The Council then pays amounts over to the major preceptors – Central Government, Worcestershire County Council and Hereford & Worcester Fire & Rescue Service, in accordance with a payment schedule determined at the start of each financial year.

Business Rates income for 2020/21 was £7,294,000 (£16,181,000 2019/20). This was based on a rateable value of £47,433,230 on 31 March 2021 (£47,430,891 on 31 March 2020).

3. Surplus and Deficits

The Collection Fund surplus for Council Tax as at 31 March 2021 was £53k (31 March 2020 £369k).

The Collection Fund deficit for Business Rates as at 31 March 2021 was £7,024k (31 March 2020 surplus of £5,100k).

The table below shows the split of the Council Tax and Business Rates deficits between the preceptors.

Preceptor	Council Tax 2019/20 £000	NNDR 2019/20 £000	Council Tax 2020/21 £000	NNDR 2020/21 £000
Central Government	-	1,294	-	5,085
Worcestershire County Council	(138)	3,831	243	915
West Mercia Police Authority	(24)	-	42	-
Hereford and Worcester	(9)	51	16	102
Combined Fire Authority				
Malvern Hills District Council	(25)	(31)	43	4,068
Total	(196)	5,145	344	10,170

4. Town and Parish Councils

This Council's demand on the collection fund includes £2,272,789 (£2,211,135 2019/20) in respect of town and parish councils and the Malvern Hills Trust, who precept and levy directly on the Council's CIES.

5. Council Tax / NNDR Written Off

Provisions for bad and doubtful Council Tax and Business Rates debts are made in the Collection Fund. The amounts written off against this provision are included in the total income figures contained within the Collection Fund and are detailed in the table below.

Value Written Off	2019/20 £000	2021/22 £000
Council Tax	28	17
Business Rates	23	40

6. Collection Rates

The Council's collection rates are detailed in the table below.

Collection Rate	2019/20 %	2020/21 %
Council Tax	98.9	98.68
Business Rates	98.5	92.62

ANNUAL GOVERNANCE STATEMENT

1. Scope and Responsibility

Malvern Hills District Council (MHDC) is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards,
- public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

MHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, MHDC is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

This Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government Framework.

2. The Purpose of the Governance Framework

The governance framework shown in the attached diagram comprises the cultural values, systems and processes, used by MHDC to direct and control its activities, enabling it to engage, lead and account to the community. The framework enables MHDC to monitor the achievement of its strategic objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MHDC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at MHDC for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The Council's vision is "to make life better for everyone who lives, works in and experiences the Malvern Hills District". MHDC's priorities are reviewed annually and cascaded through the corporate planning process into service plans and the staff annual reviews and into individual personal objectives.

MHDC's performance management framework sets out how its objectives and priorities are to be achieved. Monitoring of performance against agreed plans and strategies is undertaken by managers and reported quarterly to Executive Committee.

MHDC's Constitution contains the necessary approvals and rules for governance, including delegations to Committees and Officers. During 2020/21 The Chief Executive as the Head of Paid Service, the Joint Legal Services manager as the Monitoring Officer, and the Deputy Chief Executive as the Chief Finance Officer, each carried statutory responsibilities relating to the governance of the Council.

Executive decision making is carried out through the Executive Committee, the Planning Committee and senior management. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council and provide advice on the development of policies. Audit and Standards Committee receives reports on the work of internal and external audit, sets its own work priorities and acts independently of member or officer influence.

MHDC has approved a formal risk management strategy and regularly reviews and updates its strategic and operational risks. The Council continues to ensure that a risk management culture is embedded within service management with key risks being assigned to individuals for management.

MHDC's Financial Rules set out the parameters for the financial management of the Council; Heads of Service are responsible for the financial management of the services and activities delegated to them. Budget monitoring is carried out monthly at officer level, with quarterly reports to the Executive Committee. In addition, there are a range of both nationally and locally determined performance indicators against which performance is monitored during the year and the audited results are published on an annual basis.

4. Review of Effectiveness

Regulation 6 of the Accounts and Audit Regulations 2015 set out MHDC's responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the assurances provided by the Heads of Service who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and by comments made by the external auditor's, other review agencies and inspectorates.

The Council Constitution clearly identifies the terms of reference, role and responsibilities of full Council, the Executive, Overview and Scrutiny, Audit and Standards Committees, all of which have fully understood governance responsibilities.

Throughout 2020/21, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit and Standards Committee and Overview and Scrutiny – as well as the statutory roles of the Chief Finance Officer and Monitoring Officer. The approach taken to compiling this statement is summarised on the Annual Governance Statement framework diagram overleaf.

Audit and Standards Committee

Audit and Standards Committee played a role by reviewing and monitoring internal control issues throughout the year. This included a review of risk management and updates to the corporate risk register, regular progress reports and updates from internal audit. In addition, the committee considered the reports issued by the external auditor such as the Annual Audit and Inspection letter, as well as Council's action plans in response to any recommendations.

Internal Audit

MHDC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

During 2019/20 the Internal Audit team delivered a comprehensive programme including:

- Core financial audits which are designed to suitably assist the external auditors to reach their “opinion”.
- A range of service area audits, follow up audits and special investigations which assisted the council to maintain/improve its control systems and risk management processes or implement/reinforce oversight of such systems.

Internal Audits work programme helps to assure Audit and Standards Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the MHDC governance process.

Based on good audit practice, audit risk scores were reviewed during the year. The risk scores are used to prioritise and inform the audit plan for the following financial year for approval by the Audit and Standards Committee.

Internal Audit reports are considered by the relevant Director of Service and Deputy Chief Executive, before submission to the Audit and Standards Committee for further scrutiny. The reports have not identified any governance issues which have caused major concern during the course of the year.

Managers’ Responsibility

Directors of Service are responsible for establishing and maintaining an adequate system of internal control within their own services. They are also required to sign off six monthly Governance and Internal Control returns during the year where they will raise any items of concern. No major issues were identified by Directors of Service in 2020/21.

The Council’s financial management arrangements conform to the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010). The Deputy Chief Executive has statutory responsibility for the proper management of the Council’s finances and is a key member of the Senior Management Team.

External Audit and Other Review Agencies

MHDC’s external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter. The external auditors have issued an unqualified Value for Money conclusion.

5. Significant Governance and Internal Control Issues

The statutory duties of the Monitoring Officer and the Chief Finance Officer require them to draw to members attention any improper practices, financial imprudence or problems with the systems of internal control. No significant weaknesses or issues have been identified.

6. Covid 19

Following the outbreak of the Covid 19 global pandemic the Council made changes to allow the conduct of committee and council meetings via video conferencing tools such as Zoom and Microsoft Teams and implemented a Temporary Protocol for Virtual Meetings (approved by councillors on 6th May 2020). The Council’s offices have been open for a small number of staff throughout the lockdown period and beyond, but all staff who could work from home were

given access and equipment to allow home working. The Council has continued to offer services and support residents throughout the pandemic and the measures put in place have ensured effective governance arrangements have remained in place.

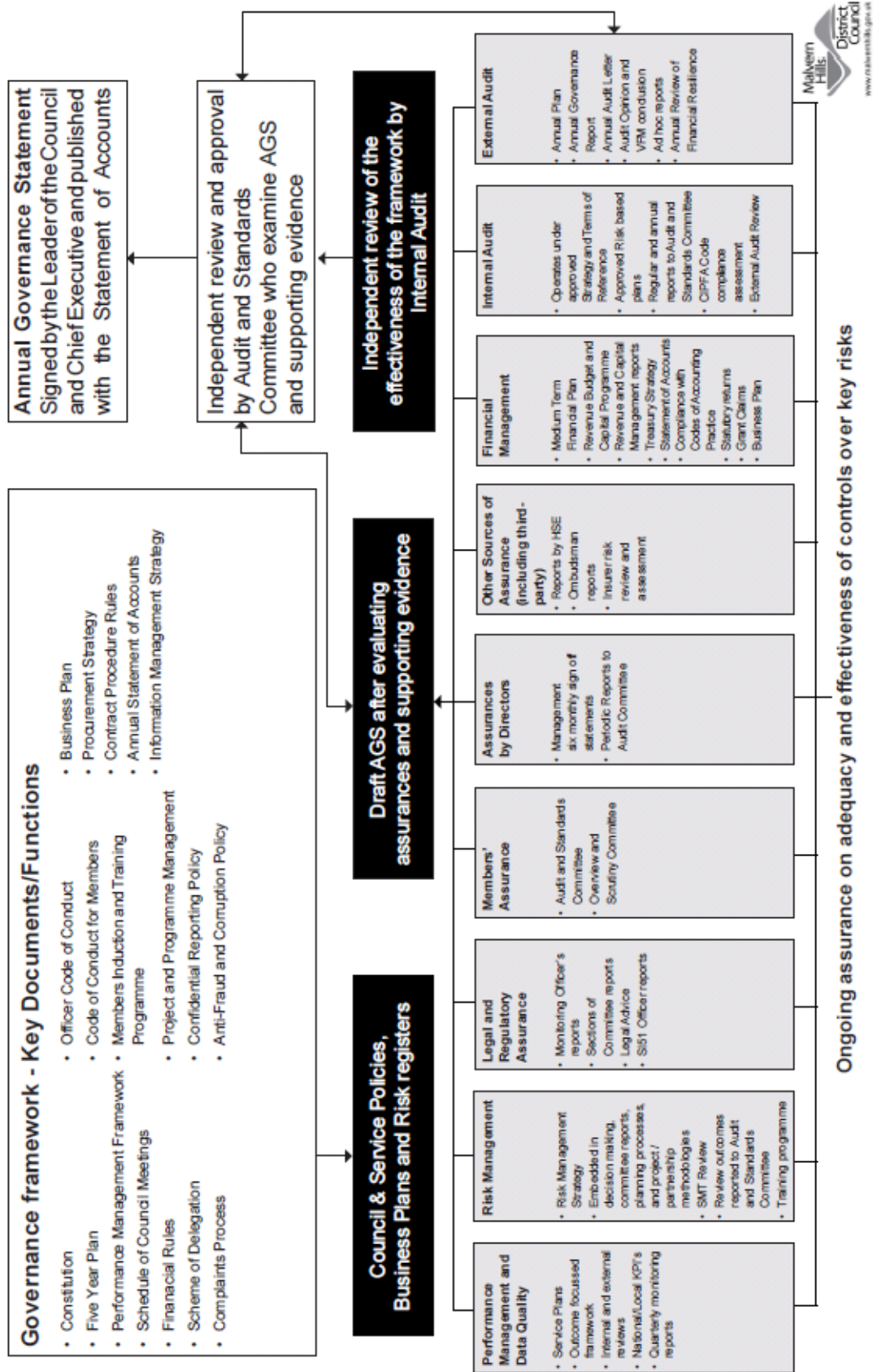
The council worked with Civica to effectively administer the business grant support schemes in line with Government process and deadline requirements and work has continued to ensure that information is obtained and facilities are in place to minimise the risk of fraudulent claims.

The response to Covid-19 is continuing in line with the national roadmap out of lockdown and governance arrangements will continue to be reviewed and adapted for any necessary changes.

Vic Allison, Chief Executive

Cllr Sarah Rouse, Leader of the Council

ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK



GLOSSARY OF TERMS

Accruals basis

Income and expenditure are shown in the period they are earned or incurred, not as money is received or paid.

Actuary

An expert on pension scheme assets and liabilities

Asset

Something the Council owns that has a value, such as premises, vehicles, equipment or cash.

Assets under construction

Assets such as premises which are partly completed at the balance sheet date.

Balance Sheet

A summary of the Council's assets, liabilities and other balances at the end of the financial year.

Budget

A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital charges

A charge made to the CIES to reflect the cost of utilising fixed assets in the provision of services.

Capital expenditure

Expenditure on the acquisition of a fixed asset, which lasts longer than a year, or expenditure that adds value to an existing fixed asset. Or expenditure capitalised but treated as Revenue Expenditure funded from Capital under Statute.

Capital receipt

Proceeds from the sale of fixed assets, such as land or buildings. Capital receipts cannot be used to fund revenue services.

Code of Practice on Local Authority Accounting

The code is the framework for publishing local authority statutory accounts based on accounting standards and interpretations issued by the IASB and IFRIC, modified to reflect specific statutory requirements.

Collection Fund

A separate fund recording the expenditure and income relating to Council Tax and Business Rates.

Community assets

Assets that the Council intends to own forever e.g. parks and open spaces.

Comprehensive Income and Expenditure Statement (CIES)

A statement of the Council's net revenue costs in the year and how this cost was financed by Government grant and taxpayers.

Consistency

Accounting concept that requires the accounting treatment of similar items of income and expenditure to be the same both within a particular financial year and between financial years.

Contingent liability

A possible financial obligation that arises from past events and whose existence will only be confirmed by the occurrence of uncertain future events not within the Council's control.

Creditor

Amounts owed by the Council for goods and services received, but not paid for at the end of the financial year.

Debtor

Amounts owed to the Council for goods and services that have been delivered but not paid for at the end of the financial year.

Depreciation

The reduction in value of an asset as recorded in the Council's accounts.

Donated assets

Assets given to the council by benefactors where no consideration is paid.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles (GAAP). It also shows this expenditure is allocated for decision making purposes between the council's portfolio responsibilities.

Government grants

Grants made by Government towards either revenue or capital expenditure to help with the cost of providing services or capital projects. Some grants have restrictions on their use.

IFRS

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the Statement of Accounts "present a true and fair view" of the financial position of the Council.

Impairment

The reduction in the value of an asset as shown in the Balance Sheet to reflect its true value.

Liability

This Council has a liability when it owes money to others. A current liability is a sum of money that is likely to become payable in the next financial year for example creditors. A deferred liability is a sum of money that will not become payable until some point in the future.

Materiality

Accounting concept that the accounts include all the transactions that, if omitted would lead to a significant distortion of the financial position at the end of the financial year.

Movement in Reserves Statement

A statement which analyses movements in the Council's usable and unusable reserves during the year.

National Non Domestic Rates

National scheme for collecting Business Rates, which are based upon the properties rateable value multiplied by a flat rate in the pound set by Government.

Non operational assets

Council assets not directly used in the provision of services, such as investment properties.

Operating lease

A lease where the ownership of the fixed asset remains with the lessor.

Operational assets

Council owned fixed assets used to deliver services, such as buildings and equipment.

Precept

A levy made by one authority to another to finance its net expenditure.

Provision

Money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with any certainty.

Prudence

Accounting concept that income is only included in the accounts if it is likely to be received.

Related parties

Two or more parties are related parties when at any time during the financial period: -

One party has direct or indirect control of the other party

The parties are subject to common control from the same source

One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests

The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transactions has subordinated its own interests.

Reserves

Amounts set aside in the accounts to be spent in future years. Some reserves are earmarked for specific purposes, or general revenue balances are available to meet future expenditure.

Revenue expenditure

Day-to-day expenses associated with the provision of services.

Revenue Expenditure funded from Capital under Statute

Capital expenditure, which does not create a fixed asset belonging to the Council.

Revenue Support Grant

Government funding to local authorities as a contribution towards the costs of services.

Stocks

These are items of raw material and stores that have been bought by the Council to use on a continuing basis but have not yet been used.

Unusable reserves

Reserves that cannot be applied to fund expenditure, or reduce local taxation.

Usable reserves

Reserves that can be applied to fund expenditure, or reduce local taxation.

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is Andy Baldwin, the Deputy Chief Executive
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

Responsibilities of the Section 151 officer (Deputy Chief Executive)

The Deputy Chief Executive is responsible for preparing the 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 Great Britain ("the Code").

As the responsible officer, I certify that in preparing this Statement of Accounts, for the year ended 31 March 2021 I have:

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

I have also:

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

These accounts present a true and fair view of the financial position of the Council and its income and expenditure for the year ended on 31 March 2021.

Andy Baldwin CPFA
Deputy Chief Executive
xx/xx/2021

Approval by the Council

I certify that the above Statement of Accounts was approved by Council at its meeting held on **xx xxxxxx 2021**

Signed on behalf of Malvern Hills District Council:

Councillor Cynthia Palmer
Chairman of the Council
xx/xx/2021