2024/25

Draft Annual Financial Report and Statement of Accounts

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Worcestershire County Council Draft Annual Financial Report 2024/25

Chief Executive's Introduction

2024/25 was another challenging year for Worcestershire County Council, as our services continued to experience the severe demand and market pressures that have emerged in recent years. Our financial controls and governance processes allowed us to identify and quantify the impact of these challenges at an early point in the financial year, and that has helped us to implement management actions to reduce our in-year overspend to £6.2m – around 1.4% of our net expenditure budget.

This year has seen significant change in the County Council, not only with the insourcing of Children's Services from Worcestershire Children First, and the relocation of our main offices, but also – as part of our corporate savings programme – a Senior Office restructure at Tiers 2 and 3 of our organisation. I am pleased that we have a leaner but robust structure to move us forward in what will continue to be a challenging environment for local government. Overall, it has been a year of tremendous success and progress against the corporate plan.

- In October 2024, Children's Services were successfully reintegrated back from Worcestershire Children First into Worcestershire County Council – the culmination of many years of work in getting these services to the 'Good' judgement from Ofsted in 2023. The transfer was on-time and on-budget, and with no interruption to these vital functions which support some of the most vulnerable people in our community.
- In December 2024, the new Kepax cycling and footbridge opened in Worcester. The bridge saw almost 50,000 users cross the river in the three months to March 2025, and recently won award recognition from the Institution of Civil Engineers.
- The Worcestershire Skills Show 2025 was an incredible success, with 3,500 students from over 40 local schools exploring potential career paths and engaging with Worcestershire businesses.
- I am pleased to say over 98% of children received an offer from one of their top three choices for first or primary schools. Nearly 94% of pupils will be heading to their first choice primary or first school to start their important education journey in September.
- The Worcestershire on Demand bus services in Bromsgrove and surrounding areas and Malvern Hills have been expanded, improving the reach of the already successful services even further. In 2025, we have expanded our commitment to our 22,000 Armed Forces veterans by enabling veterans to travel for free on these services.
- Council workers and community volunteers came together to work throughout winter planting days at the County's newest woodland in Upton Snodsbury.
- The latest tourism data for Worcestershire reveals an impressive 11% increase in the number of nights that tourists are staying in the county, contributing to significant economic growth for Worcestershire and a testament to our work in promoting Worcestershire as a place to visit.
- The condition of our Highways is regularly flagged as a priority of our residents, and I am delighted that the 2024 Surface Dressing Programme saw the treatment and improvement of 120 miles of roads across the County. In terms of major highways schemes, Work continued apace on the A38 Bromsgrove Route Enhancement, delivering vital infrastructure improvements to support the local area, funded by a successful bid for funds from Central Government.
- Our Energy from Waste (EFW) plant reached one million megawatts generated – enough to power 40,000 homes per year since opening.
- No fewer than nine Worcestershire Social Workers were nationally recognised for their exceptional contributions to the profession by the British Association of Social Workers.

As of May 2025, we have a new political administration in Worcestershire, and the challenge is to pursue our priorities for the organisation within a very challenging financial environment, coupled with preparing for Local Government Reorganisation and Devolution. I have every confidence that Worcestershire will rise to these challenges.

Paul Robinson

Chief Executive

Chief Financial Officer's Narrative Report

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

This year has been particularly challenging for Local Government and the Council with pressures on all of our demand led areas, Adult Social Care, Children's Social Care and Home to School Transport, which were partially mitigated by underspends in other service areas and in central budgets. In addition, under-delivery of corporate savings added an additional £4.7m pressure to the Council's position, although there was a £9.7m underspend on corporate items such as income from treasury management and debt financing.

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

Through robust financial monitoring and prompt management action to allocate resources where pressures were identified and reduce expenditure in other areas, the Council achieved a small overspend of £6.2 million against its net £433.4 million budget (1.4%), which was after use of reserves to mitigate the in-year pressures in demand led services. The following table shows the final outturn position for each Service area, comparing actual net expenditure with approved budget. This outturn position is reconciled to the figures shown in the Comprehensive Income & Expenditure Statement in Note 2: Expenditure and Funding Analysis and discussed in the following pages.

Service area	Budget £m	Outturn £m	Variance £m
Adults & Communities	167.612	171.303	3.691
Children's Services	93.142	101.150	8.008
Economy & Infrastructure	83.090	80.278	(2.812)
Home to School Transport	35.108	36.603	1.495
Legal, Democratic & Governance	3.774	3.356	(0.418)
Finance, Commercial & Performance	8.063	7.910	(0.153)
HR, OD & IT	10.740	10.236	(0.504)
Public Health	0.154	0.154	0.000
Sub Total: Services excl. DSG	**401.682**	**410.989**	**9.307**
Corporate Items	36.553	26.859	(9.695)
Organisational Review	(4.884)	(0.197)	4.687
Total	**433.351**	**437.651**	**4.299**
Additional Funding			
Council Tax Income	(337.776)	(337.776)	0.000
Business Rates	(87.710)	(85.776)	1.934
Use of Reserves	(7.865)	(7.865)	0.000
Net Overspend	**0.0**	**6.233**	**6.233**

Schools and Dedicated Schools Grant (DSG) Balances

School balances overall decreased by £3.0 million to a net surplus of £6.5 million. The net position comprises 30 schools in deficit (£7.4 million) and 70 schools in surplus (£13.9 million). Schools' funding remains an area of significant concern, and the Council is working to support schools in achieving their financial plans as well as lobbying Central Government. The non-schools Dedicated Schools Grant (DSG) will carry forward a deficit of £98.2 million (£44.1 million deficit at 31 March 2024); this increase is largely due to unfunded SEND and High Needs demand arising from statute changes in 2014.

These accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated School Grant (DSG)*. Further regulations which came into force on 29 November 2020 and mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget.

These regulations also mean that the use of funding from the revenue account to make good any deficit can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income.

As of 31 March 2025, cumulative DSG deficit is £98.2m. The statutory instrument, which prevents the deficit from being offset against useable reserves, expires on 31 March 2026. These accounts have been prepared on the basis the Government will find a solution towards dealing with the overspends before then as part of the Comprehensive Spending Review due in the summer of 2025.

*Such DSG deficits have accumulated over a number of years and are now common amongst upper tier councils responsible for SEND provision and have come about as a result of national policy decisions about the SEND system for which the grant is "far from sufficient to meet this demand" (Reference: Select Committee Report into Local Authorities in Financial Distress).

Financial Resilience and Sustainability

The Worcestershire Pension Fund has enjoyed another year of growth and has achieved two key milestones. Membership has continued to grow and now exceeds 70,000 members for the first time. Consolidating on the successes of previous years and navigating recent macroeconomic headwinds and geopolitical challenges, the Fund now exceeds £4 billion of net assets. Alongside that, the latest actuarial statement as at 31 March 2025 confirms a funding position of 123% compared to the 101% reported at the most recent triennial actuarial valuation at 31 March 2022. Despite a consistently growing membership, it is very pleasing that The Fund's administration team has continued its trend of exceeding targets for dealing with key member-facing engagements not only demonstrating The Fund's ethos of putting members first but also its commitment to continuous improvement. In addition to these strengths The Fund has continued to enhance its stewardship credentials through meaningful commitment to the principles of good governance, incorporating Environment, Social and Governance (ESG) and Responsible Investment (RI) factors, and has worked closely with external experts. I am pleased to confirm that The Fund successfully retained its signatory status to the UK Stewardship Code 2020 and its overall listed portfolio is now considered to be over 54% more carbon efficient than the benchmark. This has been achieved against the backdrop of the implementation of a careful investment strategy which has resulted in an increase of assets under the stewardship of The Fund's pooling company, LGPS Central and a healthy allocation to UK denominated investments. Two key areas of focus for The Fund going forward will be working with key stakeholders to invest with impact and facilitating the outcomes arising from the current Governmental Pensions Review.

Looking forward, 2025/26 remains a challenging year for Local Authorities as the issues that have beset Councils over the last few years – council tax income threshold, increased demand for statutory services, inflation – are still present. Worcestershire is one of a number of authorities that have had to had to apply for Exceptional Finance Support (EFS) in order to set a legal budget for 2025/26. The use of EFS in 2025/26 and in 2026/27 is a stop-gap to the transformational change that is needed for the Council to have a sustainable, balanced budget in April 2027.

To support financial resilience, the Council has historically adopted a prudent approach to the use of reserve balances and has this prudence has allowed for flexibility in 2024/25 as use of reserves mitigated in-year pressures. Earmarked Revenue Reserves have decreased by 11% from March 2024 to March 2025. We will once again review our medium-term financial plan during 2025/26, taking account of the need to support the most vulnerable individuals in society, by identifying savings and reductions in spend and increasing income to improve outcomes for the residents and businesses of Worcestershire. To meet the challenges facing the County, it is imperative that we continue to put effective financial governance and competence at the core of decision making to deliver a strong, resilient and sustainable financial position. This strive is reflected in the Annual Governance Statement.

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

Further in-depth highlights of the 2024/25 Statement of Accounts are contained in the Finance and Performance Review section that follows.

Phil Rook CPFA FCCA

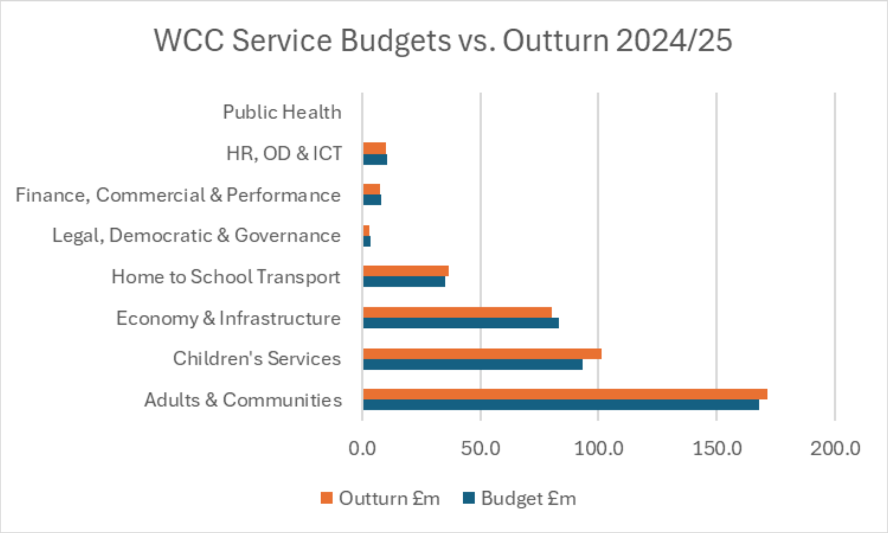
Chief Financial Officer

Finance and Performance Review

2024/25 Financial performance

The County Council's net budget for 2024/25 was £433.4 million.

In line with budget monitoring throughout the year, the County Council overspent its £433.4 million budget by £6.2 million (1.4%) in 2024/25, with pressures in Adult and Children's Services, arising mainly due to inflationary pressures in care packages and demand increases above expectations for some key services. The graph below shows the net budget performance for each Council Directorate.



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

People Services – Adults & Communities

As reported and forecast during 2024/25 the Adults & Communities directorate out-turned with a net overspend of 2.2% against its £167.6 million net budget. Demand in all services has continued to increase over the year, alongside significant inflationary pressures in the price of care packages. These pressures were partially mitigated in-year by maximising use of external funding e.g. grants, and one-off income relating to Direct Payments.

Children's Services

The County Council's Children's Services budget had a net overspend of £8.0 million (8.6%) against a budget of £93.1 million in 2024/25.

Children's social care placements demand and costs continued to increase in 2024/25 at a rate higher than projected at budget setting, and this resulted in an overspend of £8.1 million attributable to increases in both the number of placements and their costs during the year. This has been partially mitigated in-year by underspends in other areas of the service, including staffing.

Economy and Infrastructure

The directorate has delivered an underspend of £2.8 million against its £83.1 million net budget. The largest variance in this service was Waste Management, which underspent by £5.7m due to inflation and demand being lower than expected at budget setting.

Home to School Transport

There are national pressures in Home to School Transport due to both increased demand and providers facing rising costs in fuel and workforce, and this area of the budget overspent by £1.5 million (4.3%) in 2024/25.

Finance, Legal, HR and Chief Executive

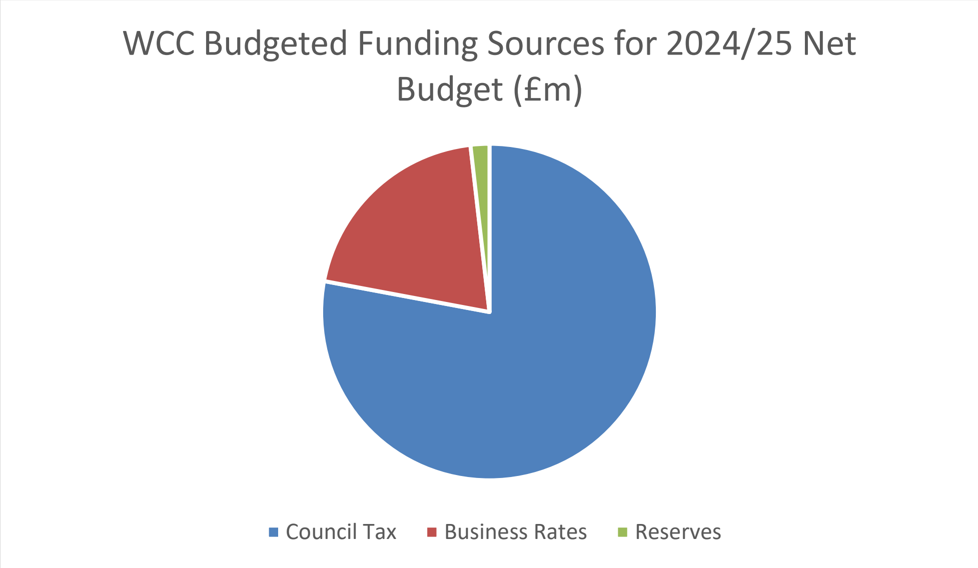
Services within these budget headings underspent by £1.1 million. This is due to effective spend control – in particular in relation to professional fees and agency costs – as well as increased contributions from Public Health.

Corporate Items

In addition, below-the-line corporate items underspent by £5.0 million. The main underspend was due to our strategy of deferring external borrowing and due to higher interest rates during the year resulting in additional interest. This has been supplemented by a further net £3.3 million underspend of the Minimum Revenue Provision (MRP) budget following application of the revised Council's MRP policy.

Funding sources

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



The Council Tax Band D equivalent was set at £1,538.92, which included £226.72 relating to the ring-fenced Adult Social Care precept.

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

Impact on the County Council's Assets and Liabilities

The value of our property plant and equipment has decreased by a net £23.4 million in 2024/25. This is made up of £84.9 million expenditure on property, plant and equipment, £8.6 million of right of use asset recognition due to IFRS16 and net revaluation gains of £5.5 million. This is offset by £64.1 million of disposals, (including ten schools which have converted to academy status during 2024/25 which are transferred at nil consideration), depreciation charges of £55.4 million and £2.9 million of asset transfers and other movements.

We secured £4.5 million of capital receipts from the sale of assets which have helped us manage our borrowing requirement and fund transformation. We also received £4.3m of capital loan repayments which has reduced our capital financing requirement. At the same time, we are reporting a further £2.7 million of assets held for sale.

We have continued our focus on income management and debt collection processes during 2024/25, working with strategic partners, with support from colleagues in legal services to facilitate the efficient resolution of queries in respect of debts that are over 30 days old. We report collection rates and progress on a quarterly basis to the Audit and Governance Committee. The County Council has reviewed the recoverability of debtor balances at 31 March 2025 and has applied a professional judgement to reflect any additional risk to collection.

Performance in respect of our time to pay creditors continues to be high (98% of all creditors paid within 30 days). The reported increase of our trade creditors at 31 March 2025 from £61.3m to £71.8m is mainly related to the timing of payments at the year end.

Our earmarked and other usable revenue reserves have decreased over the year by £11.3 million to £93.8 million. This reflects the impact of exceptional service demand and inflation during 2024/25.

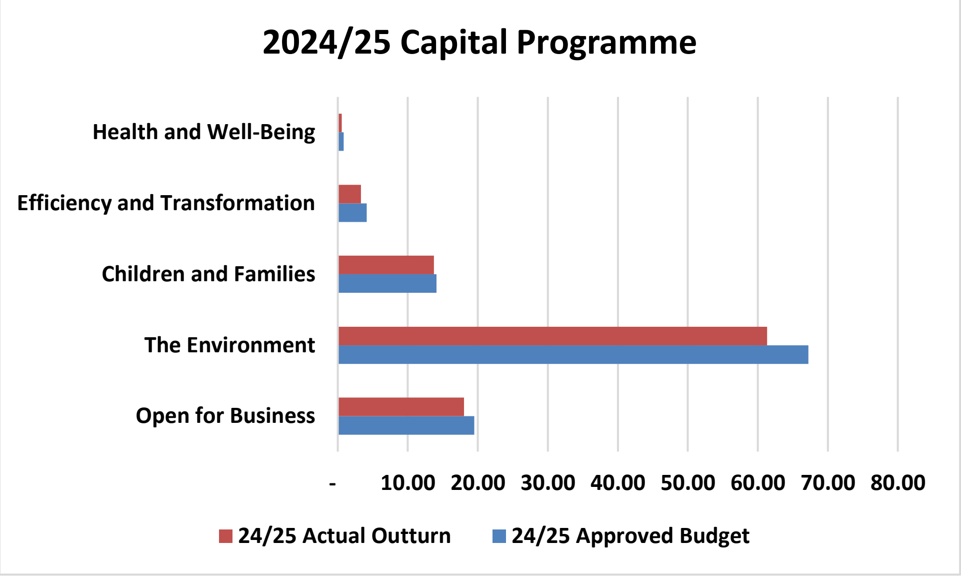
Financial risks and our reserves

Up until a few years ago the County Council faced a risk due to underlying cost pressures, use of specific grants and planned use of reserves reducing our earmarked reserves. Our strong financial management is now starting to see that trend reversing. Whilst overall our earmarked reserves have dropped again this year, our General Fund Reserve balance at 31 March 2025 has risen slightly from the previous year, from £16.1 million to £19.2 million. Looking forward, the total revenue reserves available to mitigate risk are £28.7 million, as noted in the table below.

	Balance at 31 March 2024	Movement in-year	Balance at 31 March 2025
	£m	**£m**	**£m**
Total WCC Reserves	721.9	(96.4)	625.6
Unusable Reserves	480.2	(94.9)	385.2
General Fund Reserve	16.1	3.0	19.2
Capital Grants Unapplied	120.6	5.0	125.5
Usable Revenue Reserves	105.1	(11.3)	93.8
Capital Receipts Reserve	0.0	1.9	1.9
Analysis of Usable Revenue Reserves:			
School Balances	9.5	(3.0)	6.5
Insurance Reserves	7.0	(0.5)	6.5
Public Health Ringfenced Grant Reserve	7.1	0.1	7.2
Other Grant Reserves	16.9	6.7	23.6
WLEP Reserves	2.6	(0.3)	2.3
Earmarked for E&I specific use	4.7	2.7	7.4
Open for Business Reserves	12.1	(1.7)	10.4
Election Reserve and Councillors Divisional Funds	1.7	(0.4)	1.2
Revenue Reserves available to mitigate risk	43.5	(14.8)	28.7
Total Usable Revenue Reserves	**105.1**	**(11.3)**	**93.8**

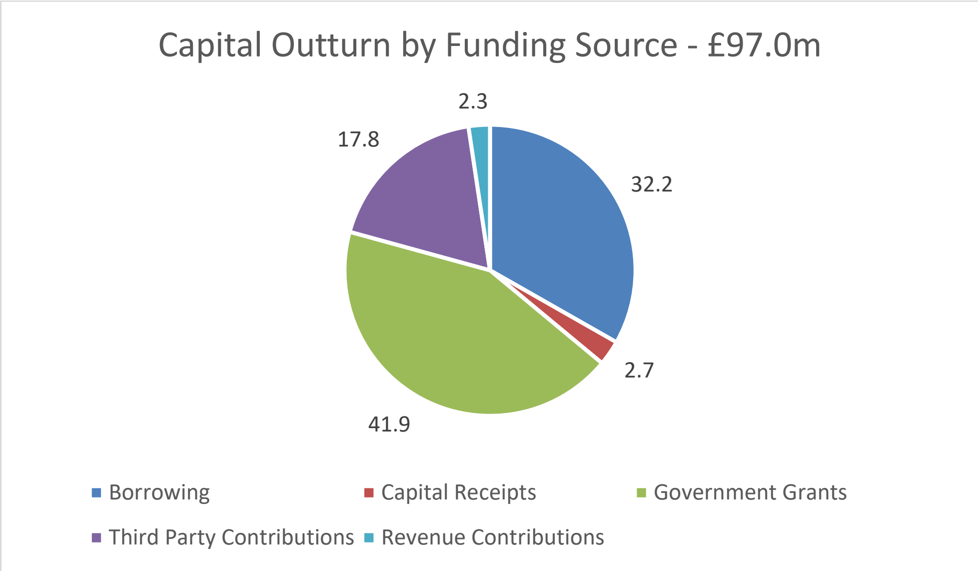
Capital Programme

The latest capital programme approved by Full Council in February 2025 for 2024/25 and beyond totals £489.9 million, with £120.1 million profiled for 2024/25. Reprofiling within the approved programme in P11 moved the final budget for 2024/25 to £105.8m. Total outturn on the programme for 2024/25 was £97.0 million. Expenditure is most significant in the areas relating to the corporate priorities of Open for Business, & Children and Families.



Schemes with the most significant financial spend in year include the Bromsgrove A38 improvement, the Structural Carriageway and Bridgeworks Programme, ongoing work at Worcester Six Business Park, and replacement of temporary classrooms at Comberton Primary School.

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



Impact on Treasury Management and cash flow

Our short-term borrowing has decreased by £46.7 million whilst our long-term borrowing has increased by £96.8 million. This is in line with our Treasury Management Strategy. All of our Treasury Management activities are reported separately and regularly to Cabinet and Council. All transactions have been completed in accordance with our Treasury Management Strategy for the year.

Delivering the Corporate Plan

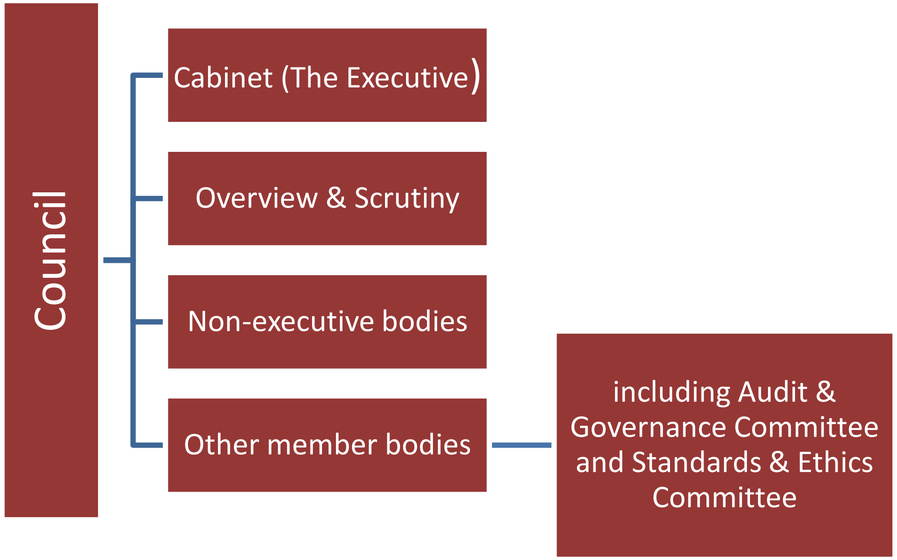
The County Council's 2022-27 Corporate Plan – Shaping Worcestershire's Future, continues to build on progress made in recent years and maintains its emphasis on the four key priorities. There is an even stronger focus on partnership working and building local capacity to empower communities to live prosperous,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

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

Political structure

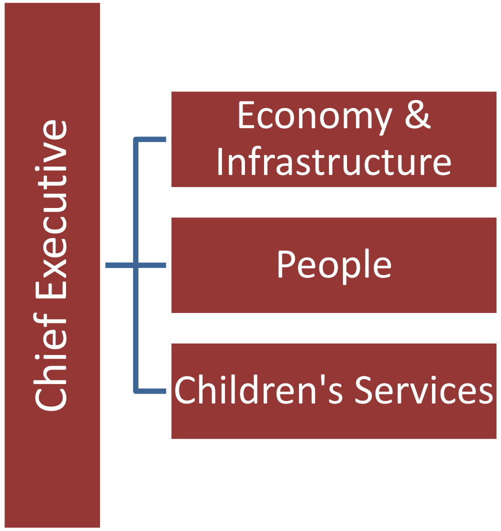
The County Council is run by 57 elected Councillors who are responsible for making sure that the services we provide meet the needs of residents and those who work in the county. They do this by setting the overall policies and strategies for the County Council and by monitoring the way in which these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

Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is responsible for most day to day Council decisions. The Leader of the Council appoints councillors to the Cabinet and these Cabinet members have specific areas of responsibility. As of May 2025, there is a new political administration in Worcestershire, following the Local Government Elections on Thursday 01 May 2025:



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

The County Council is operationally managed by the Strategic Leadership Team, comprising the Chief Executive, three Strategic Directors, and other Senior staff who report directly to the Chief Executive, such as the Chief Financial Officer, the Assistant Director for Legal and Governance, the Head of HR & IT, and the Director of Public Health.



Looking ahead

The 2025/26 budget was approved at Council on 13 February 2025 with the detailed proposals presented to Cabinet on 6 February 2025.

This budget and Medium-Term Financial Plan were approved taking account of the inflationary pressures the County Council faces. Future funding levels remain uncertain as the County Council awaits confirmation from central government of funding for 2026/27 onwards. Further delays to the long-awaited fair funding review and a reset of the business rates baseline as well as the current national financial pressures in respect of inflation and interest rates are likely to have a significant impact on the County Council's medium-term financial plan.

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

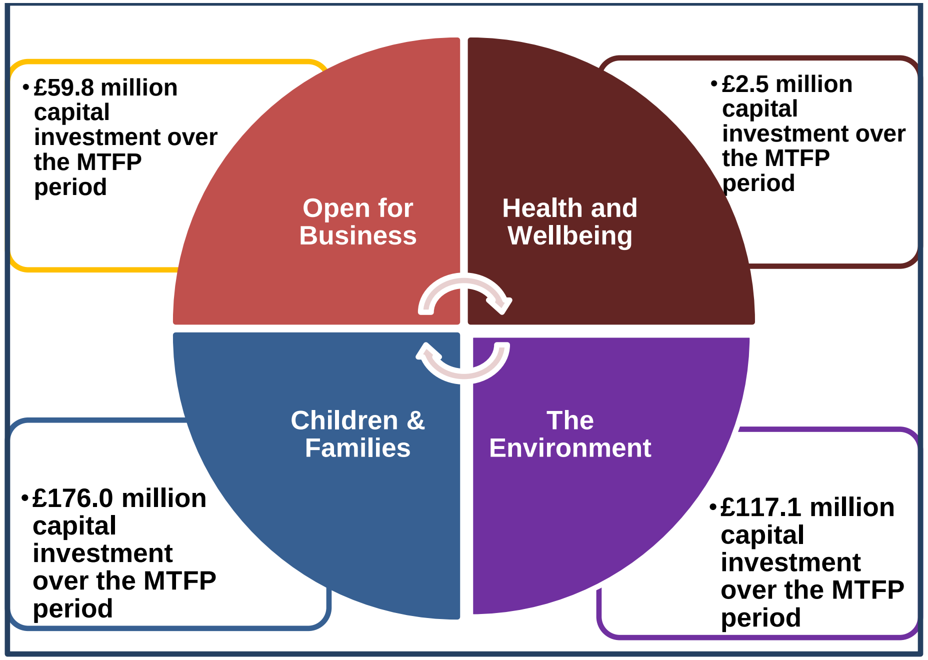
All of this means that maintaining sound and resilient Earmarked Reserves and General Fund Balance is crucial.

The paragraphs below set out details of the current budget for 2025/26.

Expenditure

The net revenue budget requirement for 2024/25 is £495.6 million. That is a net £62.2 million more than 2024/25. However, to achieve a legal budget required not only a programme of efficiency, reform and income proposals totalling £12.5 million, but also £33.6m of Exceptional Financial Support (EFS) in the form of a capitalisation directive.

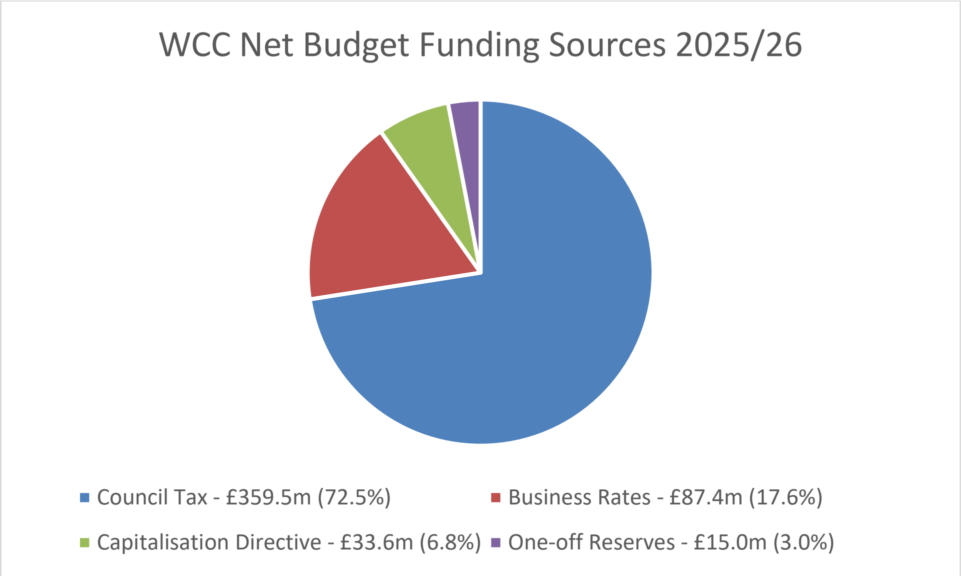
The Medium-Term Financial Plan confirms the difficult road ahead, with funding gaps for 2026/27 and 2027/28. It includes a capital programme of £369.7 million to deliver regeneration, infrastructure and other changes from 2025 to 2028 and beyond.



We are supporting this with a commitment to invest £14.4 million to ensure that the County Council is operating efficiently, new ways of work in a post pandemic environment, including more digitally enabled operations and closer working with our key partners.

Funding

The main sources of the County Council's income are collected locally, with local taxation through Council Tax accounting for close to 73% of core funding income in 2025/26.



In 2024/25, the County Council and six District Councils plus Hereford and Worcester Fire and Rescue Authority were members of a pool formed under the Business Rates Retention Scheme which resulted in a benefit to Worcestershire residents of around £6.4 million.

Medium Term Financial Plan 2025/26-2027/28

The Medium-Term Financial Plan takes account of the Corporate Plan commitment, the cost of providing our services and current central government funding announcements. Our current assumptions will need to be updated during 2025/26 in light of likely levels of Central Government funding, local taxation income and demand pressures.

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) which was launched on 1st October 2019 has returned a break-even position in their fifth full year of trading, as per their 2024/25 financial statements. This is after support from Council Reserves to cover the overspends discussed earlier in this narrative. The Company's contract reached a natural break point during 2024/25, and services and staff were transferred back into the County Council on the 1 October 2025 with no interruption to services.

Whilst Worcestershire Children First is being wound-up as a Company, the County Council's remaining financial interest is not considered to be material and therefore has not been reflected in the County Council's financial statements for 2024/25.

Statement of Responsibilities

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

The County Council is required to:

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

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Approval of Accounts

The date that the Statement of Accounts was approved is XXth XXXXXX XXXX. All known material events that have occurred up to and including this date which relate to 2024/25 or before are reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts 2024/25 provides a true and fair view of the financial position of the County Council at 31 March 2025 and its income and expenditure for the year 2024/25.

Phil Rook, Chief Financial Officer

Date xx xxxx xxxx

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2015 I certify that the Audit & Governance Committee approved the Statement of Accounts 2024/25 on XX XXXX XXX.

Dan Birch, Chairman of the Audit & Governance Committee

Date XX XXXX XXXX

Worcestershire County Council Draft Annual Governance Statement 2024/25

Annual Governance Statement - Foreword

The County Council's governance arrangements have been improving in a year where there has been significant challenge from many different sources. There have been international, nationally, and locally events that have led to uncertainty. Councils across the country, have seen finances remain under strain from the increasing levels of demand for services - in particular children's social care, special educational needs and disabilities (SEND) and home to school transport. Government funding has not kept pace with these cost pressures, resulting in Worcestershire County Council developing a substantial savings programme for 2024-25 and using a significant drawdown from the County Council's reserves to enable setting a balanced budget for 2024/25. Significant economic, environmental, political, and technological challenges and changes remain. Consequently, robust and good governance is pivotal to the County Council's sustainable delivery of services for its residents.

A General Election in 2024 led to a change of administration leading to an announcement of devolution and local government reorganisation. There was uncertainty regarding the May 2025 Local Election, but confirmation was received from the Government that Worcestershire County Council elections were to take place in May 2025, notwithstanding the backdrop of boundary changes and local government reorganisation. Governance is a fundamental requirement and priority of the County Council's leadership. To achieve this there is a need for good management and support from the work force. Effective governance throughout the County Council will continue to support the financial management and transformation of the County Council, maximising efficiency and productivity where we can.

The last year has seen the insourcing of Worcestershire Children's First, an amalgamation of some services, restructuring and resetting for others. Council governance has continued to be strengthened with the updating of the County Council's Constitution, risk management and the Internal Audit Service.

Other challenges faced during 2024/25 included financial management and resilience. Close financial monitoring supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of the agreed savings plans was crucial to ensure financial sustainability. The savings plan realised 75% of its target value which saw the savings for 2025/26 rebased and exceptional financial support secured for 2025/26 from Government.

To further enhance governance an assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making was undertaken. This included schemes of delegation and contract procedure rules. The County Council's performance framework was strengthened, including service plans linked to performance and medium-term financial plans. This also reinforced the process around capital decision making, including business cases.

Following the Senior Management Restructure which included the insourcing of Children's Services to the County Council from Worcestershire Children's First there was a need to ensure those charged with governance were clear on the new operating model to ensure the organisation continues to operate efficiency and effectively. There was also continued focus on training and development for all employees, in particular HR, finance and performance management to ensure the organisation continues to deliver good value for money services.

Many of the actions from the 2024/25 Annual Governance Statement have been implemented. These are covered in this document. 'Shaping Worcestershire's Future - Our Plan for Worcestershire 2022 to 2027', as a key strategic delivery document of the County Council and includes a renewed focus on providing value for money for the Worcestershire taxpayer and setting out the priorities. The Annual Governance Statement sits in parallel with this. 'Shaping Worcestershire's Future - Our Plan for Worcestershire 2022 to 2027 will be tracked through our performance management arrangements.

Risk management, throughout the organisation, remains a priority. Due to the results of the May 2025 local election this will need to be reviewed due to potentially different priorities of a new administration. The strategic risk register is reviewed regularly at a senior political and officer level to ensure it is dynamic and relevant for a currently volatile external environment.

This year's Annual Governance Statement conveys the ongoing efforts of staff and Councillors to uphold the core principles of good governance for the County Council. The assurance statements and resulting actions continue to underline the importance of good governance and prudent investment in, and delivery of, services for the people of Worcestershire.

Approval of the Annual Governance Statement

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

To the best of our knowledge, the governance arrangements as defined within the County Council's Local Code of Corporate Governance have continued to operate effectively. The Annual Governance Statement shows that our standards are improving, and no significant issues are reported but it is acknowledged that further improvements are required.

Specific opportunities for improvement in governance and internal controls are detailed within the action plan. We propose, over the coming year, to take steps to address these opportunities to further enhance our governance arrangements. We are satisfied that these actions will deliver, over appropriate timescales, the improvements necessary and these will continue to be monitored, evaluated, and reported on as part of our next annual review.

Paul Robinson - Chief Executive

Date:

Jo Monk - Leader of the Council

Date:

Scope and Purpose

Worcestershire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards to secure continuous improvement in the way in which its functions are exercised.

It is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. In discharging this overall responsibility, the County Council is responsible for putting in place proportionate and appropriate arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives and Senior Managers) framework 'Delivering Good Governance in Local Government Framework (2016 Edition)'. The Annual Governance Statement explains how the County Council has complied with the code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

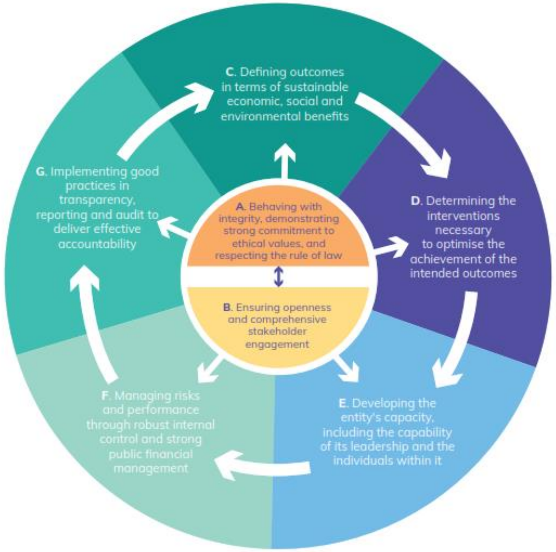
The principles and guidance have informed the review of governance arrangements for 2024/25. More specifically, the structure of this Annual Governance Statement has been prepared with reference to themes from key elements of the structures and processes referred to in the CIPFA/SoLACE guidance. The review of effectiveness is informed by the work of Chief Officers and senior managers with responsibility for the design and maintenance of an effective governance environment.

How the AGS has been prepared

In preparing the Annual Governance Statement the County Council has:

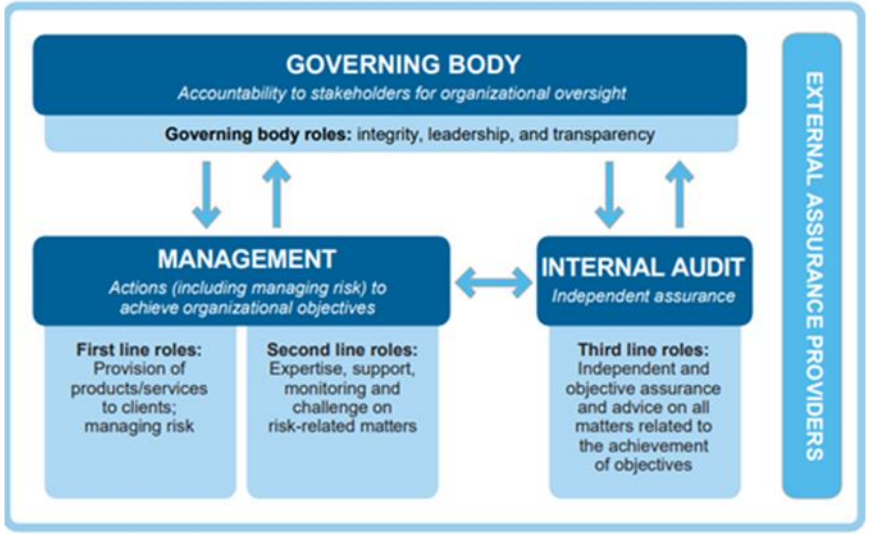
- Created a Corporate Working Group to coordinate the drafting of the Annual Governance Statement
- Updated the Constitution to reflect this guidance which includes the revised seven principles of good governance
- Reviewed the County Council's existing governance arrangements against the revised CIPFA/SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance
- Assessed the effectiveness of the County Council's governance arrangements against the revised Constitution.
- Taken assurance and identified a couple of areas of improvement from an Internal Audit review of the Annual Governance Statement process.

The seven elements of good practice are summarised below.



Three Lines of Defence

The Three Lines of Defence Model (diagram below) is often used to show the interaction of key aspects of an organisation which need to be present to begin to achieve good governance.



It is also informed by the work of Internal Audit and the annual opinion provided by the Chief Internal Auditor. The results of the annual review of the effectiveness of the County Council's governance arrangements during 2024/25 are set out throughout this report.

Organisational Ethics

Ethics and standards are core to the corporate governance arrangements.

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

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

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

Integrity - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

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

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

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

Honesty - Holders of public office should be truthful.

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

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

How the County Council Works

Constitution and Code of Conduct

The Constitution and Code of Conduct are two key governance instruments which act as a reference point for the expectations and rules about, for example, how the organisation works, who in the organisation can make decisions on what issues and the expectations of the staff. The Constitution has been updated during 2024/25 on a rolling basis with the last update February 2025. The Code of Conduct was updated in February 2025.

Financial Regulations

Aligned to the Constitution and Code of Conduct are the Finance Regulations. These translate into practical guidelines and the framework for decision making on financial matters. The Financial Regulations were last updated in September 2024.

Sources of Assurance

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

Ensuring Compliance

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

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

Statutory Officers

Statutory Officers support and monitor the County Council's governance arrangements, ensuring expenditure is lawful and the County Council continues to comply with relevant laws and regulations, internal policies, and procedures. These roles have seen permanent appointments throughout 2024/25.

Whistleblowing

There are arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users. This was updated in September 2024.

Communities

The County Council seeks to keep communities informed, giving local people the opportunity to get involved in the decision-making process, promoting local democracy, and supporting and shaping places and local communities.

Priorities.

Elected Councillors set the County Council's strategic direction by developing and keeping under review the corporate priorities of the County Council. The priorities give a clear direction for what is important politically and drive the work of council services every day. Full details can be found in the Shaping Worcestershire's Future – Our Plan for Worcestershire 2022 to 2027. Due to the results of the May 2025 local election this will need to be reviewed due to potentially different priorities of a new administration.

Priority: Open for Business

A growing and thriving economy generates wealth for residents and businesses enabling them to fulfil their aspirations. More homes and business growth generates more income through council tax and business rates for the County Council, helping us to invest in those things that residents and businesses tell us are important.

Priority: Children and Families

We continue our focus on improving the life experience and outcomes for all children and young people in Worcestershire. We have a clear ambition to provide a good educational offer across Worcestershire to enable children and young people to achieve their full potential. We know this is vital to support their transition to adulthood and being able to live happy, healthy and prosperous lives. Investing in our young people in this way also helps support our other priorities around health and wellbeing and equips our future generation with the skills to secure well-paid and rewarding jobs of the future.

Priority: The Environment

Alongside maintaining our roads and pavements in top quartile condition, moving forwards, we know our role is to help preserve and protect our environment for future generations. The County Council has already halved our emissions over the last decade. Striving to go further we have now agreed a Net Zero plan which will focus our efforts to reduce our environmental impact even further. We will continue to invest in environmental measures that protect our natural environment, enhance our biodiversity and reduce our carbon footprint. We continue to work with partners to protect our communities from the adverse impacts of extreme weather, including flooding, and ensure future developments meet national and local standards and are resilient to the impacts of climate change.

Priority: Health and Wellbeing

We will continue to work closely with the NHS and other health providers to ensure all our residents are aware of ways to support their own health and wellbeing and encourage people to be responsible for their own health outcomes. Through this approach we can help people live more of their life in good health and increase healthy life expectancy

Key Roles and Responsibilities

The governance framework outlined above has been in place throughout 2024/25 and maintained to the date of the approval of the Statement of Accounts. Key governance arrangements during 2024/25 comprised the following (full detail is provided in the County Council's Constitution).

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

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

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

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

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

Review of Effectiveness of Governance Requirements

The review of effectiveness is informed by the work of Chief Officers and senior managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Chief Internal Auditor. The results of the annual review of the effectiveness of the County Council's governance arrangements during 2024/25 are set out in the table below and demonstrate how the County Council has complied with the seven principles of the CIPFA/Solace Framework.

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

Review of Effectiveness

Where Do We Need Assurance

- Standards of Conduct and Behaviour
- Demographic Engagement and Public Accountability
- Accuracy of Reporting
- Services we deliver
- Risk Management
- Financial Management
- Compliance
- Effectiveness of Internal Controls
- Members and Officers Roles and Responsibilities

Where We Get Assurance From

- Audit and Governance Committee, Council, Executive and Scrutiny
- Performance Management
- Independent and External Sources
- Risk Management Strategy and Framework
- Financial Strategy
- HR Policies and Codes of Conduct
- Constitution
- Internal and External Audit
- Counter Fraud, Whistleblowing and Complaints System

The following pages detail the assessment of governance arrangements in 2024/25.

Principle	Assessment of the effectiveness of governance arrangements during 2024/25
Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations, including: • Codes of conduct for officers and members - the Council adopted the LGA code of conduct for members at its meeting on 18 May 2023; • The inclusion of ethical values in policies and procedures for all areas; • A complaints procedure ensuring appropriate investigation and response, as well as a Whistleblowing Policy which enables employees and others who have serious concerns about any aspect of the County Council's work to come forward and voice those concerns; • A commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010; and • Our Constitution, which sets out the conditions to ensure that all officers, key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions. • Formal recognition of the Trade Unions in our processes and change. During 2024/25, the Constitution was updated, there was ongoing code of conduct training, and tracking of complaints to identify themes.
Core Principle B: Ensuring openness and comprehensive stakeholder engagement	Our Senior Leadership Team retain their commitment to openness and engagement with all stakeholders. The County Council has sought engagement and feedback from members of the public throughout the year on a whole variety of issues. Resident engagement is not only online. We continue our annual roadshows – in-person attendance by Members at public community events to hear from residents and communicate with residents. In the current era of increased remote working, the potential risk to staff engagement is acknowledged and mitigated through use of technology. The Chief Executive has continued his weekly newsletter to staff to highlight prescient issues within the organisation. There are regular staff briefings held by the Chief Executive and Senior Leaders, where staff can raise questions in real-time using an anonymous online tool. There are strong relationships with the County Council's recognised Trade Unions and the organisation is committed to maintaining those. Our 'Your Voice' Staff Survey has been used to inform the workforce strategy that runs into 2025. The Our Workforce Strategy 2021 2024 is due to be refreshed.

Principle	Assessment of the effectiveness of governance arrangements during 2024/25
Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	Our Corporate Plan: Shaping Worcestershire's Future 2022-2027 was refreshed in 2024 and has remained in place for 2024/25. It identifies four key priorities that help us shape the future vision for Worcestershire and focus the delivery of our services. The refreshed Corporate Plan 2022-2027 continues with the County Council's priorities building on the progress made in recent years to drive improvements for the County to 2027. **Open for Business** – we have a significant programme of improvements in workforce skills, employment, infrastructure and productivity. We are aiming to become a financially self-sufficient County Council and to achieve this aim we are promoting and supporting businesses in the County and those looking to relocate here. **Children and Families** – we have a strong focus on improving outcomes for the children, young people and families of Worcestershire. We support schools with achieving a good or outstanding rating by Ofsted and facilitating young people achieving five or more good GCSEs and support young people moving successfully into employment. Up to October 2024, these services were delivered in conjunction with our wholly owned company, Worcestershire Children First. **The Environment** – Worcestershire's environment is one of our key features and contributes to enhancing the quality of life for residents and visitors. We are committed to improving our infrastructure networks, including transport and digital technology to support business and encourage investment. We also have a key focus on minimising waste which goes to landfill. **Health and Wellbeing** – we are working with local partners to support our residents to be healthier, live longer, have better quality of life and remain independent for as long as possible. Our focus on adult social care aims to keep people with care and support needs as independent as possible by providing choice in how to live their lives. Two years ago, it was identified that governance arrangements around the corporate plan could be further strengthened, specifically around timely and transparent reporting on performance against the corporate plan. In 2023/24, the public-facing performance data on the County Council website has been reconfigured to reflect the corporate plan areas which provides more clarity on performance to those stakeholders interested in the corporate plan. This continued to be refined in 2024/25.
Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	To demonstrate and ensure good governance around achievement of outcomes, the County Council uses service-level and directorate KPIs to measure outcomes and performance at all levels of the organisation. The objectives of individual staff members (where possible) have a clear link to service plans. The County Council has developed a Medium-Term Financial Strategy which is designed to help provide a stable financial base from which to deliver the County Council's priorities. The budget setting process is member-led to ensure that the focus remains on public priorities.

Principle	Assessment of the effectiveness of governance arrangements during 2024/25
	Business Continuity plans ensure the resilience of the organisation to any eventuality and to help ensure continuity of service to key customers. Business continuity plans across the organisation have continued to be updated. All Cabinet papers are published online and as standard include commentary on Financial, HR and Legal implications to ensure transparency in decision-making and that the organisation continues to fulfil statutory obligations regardless of policy or service direction.
Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	To deliver our objectives, we rely on our staff to carry on the great work they already do daily which is underpinned by Our People Values: • **Customer Focus** - putting the customer at the heart of everything we do • **'Can do' Culture –** being proactive to achieve excellence • **Freedom within Boundaries** – courage to make constructive change Our Workforce Strategy 2021 - 2024 which is due to be refreshed is designed to build a workforce with personal and collective organisational resilience. The strategy is to be used by each Service area to develop their annual workforce plans, supported by their HR Operations Partners Mandatory learning is in place for all staff and monitored by directorate leadership teams. Our learning and development system allows managers to track the progress and attainment of their direct reports in both mandatory learning courses and other optional training courses. This allows managers to identify any potential training gaps within their teams. We have continued our annual Performance Review Cycle, which forms a key part of our organisational workforce planning. Employees and line managers meet regularly to plan and monitor progress against personal and organisational objectives and support employee wellbeing. Indicative ratings are recorded at mid-year review point, with formal ratings recorded at end of year performance reviews. The performance review includes a conversation around seeking future promotion and development – this is one of the tools through which the organisation can identify potential future leaders and seek to put training in place to build future capacity at that level.
Core Principle F: Managing risks and performance through robust internal control and strong public financial management	In 2024/25, reporting around risk has been strengthened both in terms of process (where we have moved away from the previous risk reporting software) and frequency. Audit and Governance Committee have now had regular updates and discussions on risk throughout the year. This has been acknowledged by External Audit. Assistant Directors are responsible for assessing and reviewing risks in a timely manner and report directly into the Chief Officer Group. This data forms the basis for reports to members via the Audit and Governance Committee. It also allows for risk reporting to be considered alongside performance and budget monitoring information, which are discussed in the same forum.

Principle	Assessment of the effectiveness of governance arrangements during 2024/25
	In terms of risk, further development continued during 2024/25 to reflect the Senior Management and Directorate changes. A further piece of work is planned during 2025/26 to ensure that the corporate risk register reflects (especially in terms of accountability) the County Council organisational redesign, the newly adopted Strategy and changing risk landscape.
Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability	Key aspects of the County Council's governance arrangements during 2024/25 include: • A large amount of information is available on the County Council website which gives details of the working of the organisation, what we spend, and how our decisions are made. • The Forward Plan provides information about the matters on which the County Council will make decisions. Formal agenda, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the County Council is planning to take, and the decisions taken. • Our Monitoring Officer has a specific duty to ensure the County Council, its officers and elected councillors maintain the highest standards in all they do. • Independent assurance was obtained regarding compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit. • We are registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. We have a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office. In their 2022/23 report, our External Auditors stated that they considered Internal Audit (IA) to be a significant weakness in the County Council, driven by staff changes and a lack of resource. For 2024/25, the County Council must take action to ensure that these concerns are allayed, and that Internal Audit is an effective tool for those charged with governance and Senior Leadership. The Chief Internal Auditor post remained filled with a permanent appointment during 2024/25 which has allowed for consistent development and oversight of the IA function culminating in obtaining an independent Certification of conformance to the Public Sector Internal Audit Standards (PSIAS) and a clear plan towards the Global Internal Audit Standards conformity in March 2025.

Audit and Audit Assurances - Internal

Chief Internal Auditor Opinion

Chief Internal Auditor opinion in support of the Annual Governance Statement (May 2025):

As Chief Internal Auditor, it is my opinion that the organisation is assessed as 'needs improvement' for the framework of governance, risk management and internal control. The findings that have contributed to the level are those that have been reported to the Audit and Governance Committee during 2024-25.

This opinion can be assessed using the following scale:

Substantial assurance	A sound system of governance, risk, management, and control exists, with internal controls operating effectively and being consistently applied to support the achievement of the objectives in the area audited.
Satisfactory assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of the objectives in the area audited.
Needs Improvement	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Unsatisfactory	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

In providing the opinion, it should be noted that assurance can never be absolute. The full extent of my opinion can be found in the Audit and Governance Committee Agenda. In arriving at this opinion consideration has been given to the following:

- The results of the internal audit work for 2024/25
- The effects of any material change in the County Council's risk profile, objectives or activities
- Matters arising from the quarterly Internal Audit Progress Report, Follow Up or other assurance providers to the Audit and Governance Committee.
- Whether any limitations have been placed on the scope of our work or any resource constraints which have impacted on our ability to meet the needs of the County Council.
- A wide base of local intelligence and organisational understanding

Internal Audit Services

Internal Audit services were provided during 2024/25 by the in-house team. The internal audit plan for the year was approved by the Audit and Governance Committee. Regular progress reports detailing the outcome of the assignments in the plan were prepared and reported to the Committee.

The plan was risk based and targeted areas where Internal Audit is the appropriate assurance provider. It was designed with a large degree of flexibility so that changes could be made to test emerging areas of potential risk. An updated plan was reported before Committee in September 2024.

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

Audit and Governance Committee

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

During 2024/25 the Committee Chair reviewed issues and made reports to Council. Committee members worked together, to develop and use their knowledge and expertise, and that of others to the best effect. They have a non-political, evidence-based approach.

All the A&GC sessions in the reporting period were quorate and there was active engagement from members and officers to ensure that strong and effective governance is maintained.

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

How has the County Council addressed the Governance Improvements for 2023/24?

The County Council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and an assessment of the County Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2023/24, Grant Thornton gave an unqualified audit opinion on the financial statements with a significant weakness identified in our Value for Money (VFM) arrangements, and improvement recommendations made in terms of VFM.

Prior Year Key External Audit Value for Money Recommendations

2023/24 Key Recommendations	Progress
Financial Sustainability: Signs of financial stress that indicate a threat to its financial sustainability in the short and medium term.	During 2024/25 a savings programme of circa £37m was identified. 75% of the savings were realised. The remaining savings were rolled into the 2025/26 savings programme. The savings plan was regularly reported and monitored to the Audit and Governance Committee.
Financial Sustainability: The DSG deficit balance provides financial stress that threatens the County Council's financial sustainability. If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, it will place additional significant pressure on the County Council's reserves and out at risk the County Council's general fund unearmarked and earmarked reserves balance.	Exceptional Financial Support was obtained to support the County Council over the next two years due to the forecasted 2025/26 financial position. A further savings programme has been agreed and will be monitored by the Audit and Governance Committee.
Governance: The County Council has not sufficiently progressed the improvement recommendations made within our 2021/22 letter to improve the arrangements for managing risk. A lack of risk management reporting to AGC between September and March 2023 has resulted in the Committee being unable to demonstrate that it has discharged its duties in ensuring the County Council has appropriate and effective Risk Management arrangements in place.	Risk management has seen several improvements with regular reporting before the Audit and Governance Committee. Further development of the system is expected in 2025/26 with the launch of a new strategy in March 2025 and a new system to be rolled out during 2025/26 giving more transparency of risks across the organisation.
Governance: The Internal Audit provision is not fully compliant with the requirements of the PSIAS.	Internal Audit has been independently and externally tested and is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) as of March 2025.

2023/24 Key Recommendations	Progress
2023/2024 Improvement Recommendations **Financial:** The County Council should ensure there is a robust financial governance framework around the delivery of its Capital Programme.	The Commercial Board was established to ensure due diligence was being followed regarding key projects and operated throughout 2024/25 sitting on a regular basis. Capital spend continues to be monitored through established processes.
Governance: To further enhance the counter fraud arrangements in place, the County Council should: • Demonstrate objectivity and independence between Counter Fraud and Internal Audit Team • Include proactive work in addition to reactive work, driven by a coordinated fraud risk assessment process • Ensure all fraud related policies are reviewed and updated.	All fraud related policies have been reviewed and updated and a strategy established during 2024/25. Internal Audit has further embedded counter fraud requirements into the reviews. It is acknowledged that further work is continuing to establish a fraud risk assessment.
Governance: The County Council must ensure that key areas of focus, identified as significant governance considerations in the Annual Governance Statement, are appropriately undertaken.	Appropriate focus has been given to the key recommendations in the Annual Governance Statement.

Significant Governance Considerations

The risks below were identified, reported before Audit and Governance Committee and remained as red risks on the Corporate Risk Register during 2024/25. Certain risks reported as significant in 2023/24 have seen mitigations applied reducing them to an overall corporate amber risk status.

Consideration	Update on Progress/Action taken to address the issue in 2024/25
Financial Instability and Sustainability Risk that expenditure is in excess of income and there is a predicted or actual overspend in excess of funding available.	The County Council set a legal budget for 2024/25 with a use of reserves, predicated on delivering over £37.2m of savings and raising council tax to the maximum permitted. Successful delivery of 2024/25 savings is dependent upon a range of factors, not all of which are in the control of the County Council. All savings included in the Medium-term Financial Plan had an initial deliverability assessment so that a realistic financial plan can be presented. SLT have received regular updates of progress along with Audit and Governance Committee. Close monitoring during 2024/25 took place to ensure we remained on track to deliver the budget. 75% of the savings were realised. The remaining were rolled forward into the 2025/26 savings plan and Exceptional Financial Support was secured from the Government to assist with the overall financial position.
Market Instability (Adult Social Care) Significant upward pressure on costs (energy, food, staffing) allied to lower levels of occupancy than pre-Covid will lead some providers to give notice on some WCC funded residents and/or lead some homes to close	The County Council continues in open discussions with providers who decide to exit the market to enable them to do so in a supported manner. Additionally, there is a process agreed for reviewing fees which are historically low, where there is no increase in care need. Ongoing discussion and negotiation with providers.
Serious harm or death of a child or young person Safeguarding risk because of serious harm or death of a child or failure to safeguard children. Reputational risk as a result of poor inspection or service breakdown.	Safeguarding issues have been monitored and managed through partnership working with the Worcestershire Safeguarding Children Partnership (WSCP) and other local strategic partners. Quality Assurance measures are in place, and safeguarding arrangements and activity have been monitored by the WSCP Safeguarding Practice Review Board and Get Safe Partnership Board. 2023/24 also saw the conclusion of a Local Child Safeguarding Practice Review following the 2021 death of a child. The review made eight recommendations to the WSCP, which have been fully implemented. The Ofsted inspection in 2023 noted continued improvements in terms of strengthening the Family Front Door and judged the overall effectiveness of Children's Social Care services as 'Good'. The inspection report also highlighted some areas of potential weakness, which fed into service plans for 2024/25.

Issues identified for 2025/26

A number of the issues and corresponding action plans noted above will continue to be the key focus for the County Council's leadership in 2025/26:

- New Administration: working with and understanding the requirements of a new administration.
- Financial Management and Resilience: ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of the agreed savings plans to ensure financial sustainability. During 2025/26 a new financial system is being implemented, Technology One, which will provide enhanced reporting and functionality to assist financial management by budget holders.
- Devolution and Local Government Reorganisation: ensuring that there is a clear model for Worcestershire to provide the best services for its residents.
- Strengthening the County Council's performance framework, including service plans linked to risk registers linked to performance and medium-term financial plans. This will reinforce the process around capital decision making, including business cases.
- Continuing to development, reinforce and implement good governance practice and risk management across the organisation.
- A continued focus on training and development for all employees, in particular HR, finance, decision making and performance management to ensure the organisation continues to deliver good value for money services.

Annual Governance Statement Appendix 1 – WCC Governance Framework

Principles, Statutory Obligations and Organisational Objectives

Open for Business | **Children and Families** | **The Environment** | **Health and Wellbeing**

Corporate Governance comprises the systems and processes, cultures, and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Key Documents Annual Review	Key Documents Annual Review/Production		Contributory Processes/ Regularity Monitoring
Annual Outturn Performance Reports Finance Reports IT Security Policy Asset Management Strategy Corporate Risk Register Delegations from/to Directors ICT Strategy Medium Term Financial Strategy Members Allowances Scheme Prudential Code & Treasury Management Strategies Statement of Accounts Corporate Priorities	Business Impact & Continuity Plans Communications Plan Community Engagement Framework Constitution Contract Procedure Rules Equality and Diversity Information Financial Regulations Health and Safety Policies Information Governance Anti-Fraud, Bribery & Corruption Policies Member/Officer Relations Members' Code of Conduct Officer Employment Procedure Rules Officers' Code of Conduct Partnership Framework Performance Management Framework Record of Decisions Schemes of Delegation	Medium Term Financial Plan Annual Governance Statement Audit & Governance Committee Standards Committee Scrutiny Committee and Framework Committee & Decision-Making Guidance Statutory Officers Board Health & Safety Board Safeguarding Board Corporate Health and Safety process Corporate Member training Schedule of Council Meetings Corporate Governance Organisational Development Modern Slavery Council Tax Leaflet Customer Feedback Process Independent Remuneration Panel	Civil Contingency Inspectorate Reports Internal Audit External Audit Staff Surveys Staff Induction Job descriptions Job evaluation Consultative Forums Capital Strategy Finance Business Partners

Annual Governance Statement Appendix 1 – Annual Governance Statement Framework

Key documents/functions/process guidelines

- Worcestershire County Council's Constitution
- 'Shaping Worcestershire's Future - Our Plan for Worcestershire 2022 to 2027'
- Medium Term Financial Plan
- Worcestershire County Council's Members' Code of Conduct
- Democratic and governance arrangements
- Budget monitoring and financial regulations
- Risk Management
- Contract Procedure Rules
- HR Policies and Officer Code of conduct
- Anti-Fraud, Bribery and Corruption Strategy
- Anti-Fraud, Bribery and Corruption Policy
- Whistleblowing arrangements

Strategic Leadership Team and Chief Officer Group lead compliance with Council's Governance Framework

Council and Directorate Policy, Plans and strategic risks

Internal Audit to evaluate the effectiveness of the risk management, control and governance processes. (Required by the Accounts and Audit Regulations 2015)

Provision of ongoing assurance and effectiveness of controls over key risks

Internal Audit
External Audit
Risk Management
Finance Control Assurance (S151 Officer)
Legal and Regulatory Assurance (Monitoring Officer)
Assurance from Directors and Assistant Directors
External Inspections (Ofsted, Care Quality Commission)
Performance Management and Data Quality

Draft Annual Governance Statement

Statutory Officers, Strategic Leadership team and Chief Officer Group supporting the Corporate Working Group responsible for drafting AGS, evaluate assurances and supporting evidence

Audit and Governance Committee

Independent review and approval of AGS

Annual Governance Statement

Signed by the Leader of the Council and the Chief Executive to accompany the Statement of Accounts

Worcestershire County Council Draft Statement of Accounts 2024/25

Introduction to the Statutory Accounts

The Statutory Accounts presents Worcestershire County Council's (the County Council) financial position in line with statutory reporting requirements. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) and the Accounts and Audit Regulations 2015 (as amended). The main objective of the Code is to give a true and fair view of the financial position of the County Council, including information about financial position, performance, the results of stewardship of management and any risks and uncertainties.

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Accounts

These give further detail in support of the information provided in the main accounts. Notes are only provided where the amounts involved are material. Materiality is determined by the nature or magnitude of the disclosure and the potential for the user of the accounts being influenced by any omission. The notes include the relevant accounting policies which explain the basis for the figures included in the accounts and details of relevant estimates and judgements. Any estimations which are likely to lead to a material adjustment next year in the 2024/25 accounts are evaluated and detailed in the notes.

Group Accounts

The County Council has not prepared group accounts for 2024/25. An assessment of Group Boundary has been completed, and our conclusion is that none of the County Council’s interests – specifically Worcestershire Children First (WCF) and West Mercia Energy (WME) – are material enough to warrant completion of group accounts.

Comprehensive Income and Expenditure Statement

2023/24 Expenditure	2023/24 Income	2023/24		2024/25 Expenditure	2024/25 Income	2024/25 Net	Note
£m	£m	£m		£m	£m	£m	
			Service Expenditure Analysis				2,3,4,5,6.1
388.7	(213.4)	175.3	People	407.9	(248.3)	159.5	
460.4	(311.6)	148.8	Children's Services	510.5	(340.6)	169.8	
175.9	(38.7)	137.3	Economy & Infrastructure	211.7	(49.8)	161.9	
62.3	(24.6)	37.7	Chief Executive and Corporate Functions	40.7	(15.5)	25.1	
1,087.2	**(588.2)**	**499.0**	**Net Cost of Services**	**1,170.7**	**(654.3)**	**516.4**	
45.1	(1.2)	43.9	Other operating expenditure	62.8	(4.5)	58.3	8
79.5	(66.2)	13.3	Financing, investment income & expenditure	92.0	(66.2)	25.9	9
0.3	(503.9)	(503.7)	Taxation & non-specific grant income and expenditure	0.3	(490.5)	(490.3)	10
1,212.1	**(1,159.6)**	**52.5**	**(Surplus)/deficit on the provision of services**	**1,325.9**	**(1,215.6)**	**110.3**	
			Other comprehensive income and expenditure:				
		(78.8)	(Surplus) on revaluation of PPE			(32.3)	14.3
		8.5	Downward revaluations on non-current assets charged to Revaluation Reserve			19.2	14.3
		5.1	Remeasurement of the net defined benefit liability/(asset)			(0.8)	
		(65.3)	**Total other comprehensive income and expenditure**			**(13.9)**	
		(12.8)	**Total comprehensive income and expenditure (surplus)/deficit**			**96.4**	

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Movement in Reserves Statement 2024/25

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2024	**16.1**	**105.1**	**121.2**	**0.0**	**120.6**	**241.8**	**480.2**	**721.9**
Movement in reserves during 2024/25:								
Total Comprehensive Income and Expenditure	(110.3)	0.0	(110.3)	0.0	0.0	(110.3)	13.9	(96.4)
Adjustments between accounting basis & funding basis under regulations	102.0	0.0	102.0	1.9	5.0	108.8	(108.8)	0.0
(Note 11)								
Transfer to/(from) earmarked reserves	11.3	(11.3)	0.0	0.0	0.0	0.0	0.0	0.0
Increase/(decrease) in 2024/25	3.0	(11.3)	(8.3)	1.9	5.0	(1.5)	(94.9)	(96.4)
Balance at 31 March 2025 carried forward	**19.2**	**93.7**	**112.9**	**1.9**	**125.5**	**240.3**	**385.2**	**625.6**
Note Reference		12.1				12	13	

Movement in Reserves Statement 2023/24 comparison

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2023	**14.3**	**144.2**	**158.6**	**0.0**	**77.1**	**235.7**	**473.4**	**709.1**
Movement in reserves during 2023/24:								
Total Comprehensive Income and Expenditure	(52.5)	0.0	(52.5)	0.0	0.0	(52.5)	65.3	12.8
Adjustments between accounting basis & funding basis under regulations (Note 11)	(8.8)	23.9	15.1	0.0	43.4	58.5	(58.5)	0.0
Transfer to/(from) earmarked reserves	63.0	(63.0)	0.0	0.0	0.0	0.0	0.0	0.0
Increase/(decrease) in 2023/24	1.8	(39.2)	(37.4)	0.0	43.4	6.1	6.7	12.8
Balance at 31 March 2024 carried forward	**16.1**	**105.1**	**121.2**	**0.0**	**120.6**	**241.8**	**480.2**	**721.9**
Note Reference		12.1				12	13	

Balance Sheet

31 March 2024 Restated £m		31 March 2025 £m	Note
1,279.1	Property, plant and equipment	1,255.7	14
1.7	Heritage assets	2.2	
0.7	Intangible assets	0.4	
1.9	Long-term investments	1.5	16,17
100.4	Long-term debtors	95.1	18
1,383.9	**Long term assets**	**1,354.8**	
1.2	Assets held for sale	2.7	14.8
0.8	Short-term investments	0.7	29
1.9	Inventories	1.6	
100.0	Short-term debtors	130.8	18
80.7	Cash and cash equivalents	48.0	19
184.6	**Current assets**	**183.8**	
(157.3)	Short-term borrowing	(110.5)	16
(98.2)	Short-term creditors	(119.9)	20
(13.1)	Cash and cash equivalents	(16.5)	19
(0.3)	Short-term grants receipts in advance	(0.4)	22
(268.9)	**Current liabilities**	**(247.3)**	

31 March 2024 Restated £m		31 March 2025 £m	Note
(2.3)	Long-term provisions	(1.3)	30
0.0	Long-term creditors	(5.1)	
(399.8)	Long-term borrowing	(496.6)	16
(136.8)	Other long-term liabilities	(121.9)	21
(38.8)	Grants receipts in advance	(41.0)	22
(577.8)	**Long-term liabilities**	**(665.8)**	
721.9	**Net assets**	**625.6**	
	Financed by:		
241.8	Usable reserves	240.3	12
480.2	Unusable reserves	385.2	13
721.9	**Total reserves**	**625.6**	

The Statement of Accounts were authorised for issue by the Chief Financial Officer (Section 151 Officer) on the xx xxxxxxx xxxx.

Phil Rook, Chief Financial Officer

Cash Flow Statement

2023/24		2024/25	
£m		£m	Note
(52.5)	Net surplus/(deficit) on the provision of services	(110.3)	
110.7	Adjust net (surplus)/deficit for non-cash movements	124.1	
(101.2)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(69.2)	
(42.9)	**Net cash flows from operating activities**	**(55.3)**	23.1
38.2	Net cash flows from investing activities	(12.1)	23.2
17.2	Net cash flows from financing activities	31.4	23.3
12.5	**Net increase/(decrease) in cash or cash equivalents**	**(36.1)**	
	Cash and cash equivalents		19
55.1	Balance at 1 April	67.6	
67.6	Balance at 31 March	31.5	
12.5	**Movement in cash and cash equivalents increase/(decrease)**	**(36.1)**	

Notes to the Financial Statements

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

1. General accounting policies

The Statement of Accounts summarises the County Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The County Council is required by the Accounts and Audit Regulations 2015 (as amended) to prepare an annual Statement of Accounts in accordance the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and International Financial Reporting Standards (IFRS). The Accounts have been prepared on a going concern basis, under the assumption that the County Council will continue in existence for the foreseeable future. There is no material uncertainty in respect of this assessment of going concern.

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

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

Consolidation of other accounts held by schools such as school funds and devolved capital accounts were reviewed and judged to be immaterial and are not recognised on the County Council's Balance Sheet. The Statement of Accounts contains estimated figures based on assumptions made by the County Council. Estimates are made considering historical experience, current trends and other relevant factors. Actual results may potentially be different from the assumptions and estimates used by the County Council and relevant notes include an assessment of the potential material impact of any changes in estimates which lead to significant risk of material adjustment in 2024/25.

The County Council's Balance Sheet recognises significant amounts in respect of Pension Fund Assets, and Pension Fund Liabilities. The measurement and calculation of these substantial figures is complex, and the County Council engages an expert Actuary to produce annual reports, which are used extensively in the County Council's Pension Note (Note 35 in these accounts) and are the basis for the balance sheet values.

Since 2022/23, the value of the County Council's Pension Fund Assets has exceeded that of the County Council's Pension Liabilities. This would result in a net asset on the balance sheet. It is the policy of the County Council to apply an 'asset ceiling' adjustment, in line with IFRIC (International Financial Reporting Interpretations Committee) 14. IFRIC 14 states that an organisation should only recognise a net asset on its balance sheet to the extent that the asset represents a real economic benefit to the organisation. On the advice of our actuary, The County Council has applied an asset ceiling adjustment to reduce the net asset on the balance sheet. The LGPS balance on the balance sheet is therefore a net liability, which relates to unfunded obligations.

2. Expenditure and funding analysis

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

2024/25	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	171.5	(5.6)	165.8	(6.3)	159.5
Children's Services	101.2	5.1	106.2	63.6	169.8
Economy & Infrastructure	116.9	(6.6)	110.3	51.6	161.9
Chief Executive and Corporate Functions	48.2	(19.5)	28.6	(3.5)	25.1
Net Cost of Services	**437.7**	**(26.7)**	**410.9**	**105.4**	**516.4**
Other Income and Expenditure	(431.4)	28.8	(402.6)	(3.5)	(406.1)
Net (Surplus)/deficit	**6.2**	**2.1**	**8.3**	**102.0**	**110.3**
Opening General Fund Balance			121.2		
Less Deficit on General Fund Balance in Year			(8.3)		
General Fund Balance			**112.9**		

Expenditure and funding analysis 2023/24 comparison

2023/24	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	173.9	(1.5)	172.4	2.8	175.3
Children's Services	105.8	3.7	109.5	39.3	148.8
Economy & Infrastructure	97.0	(8.0)	89.0	48.3	137.3
Commercial & Change	11.9	15.8	27.7	1.6	29.3
Finance, HR & Chief Executive	31.3	4.7	36.0	(27.6)	8.4
Net Cost of Services	420.0	14.8	434.7	64.3	499.0
Other Income and Expenditure	(400.8)	3.5	(397.3)	(49.2)	(446.5)
Net (surplus)/deficit	19.1	18.2	37.4	15.1	52.5
Opening General Fund Balance			158.6		
Less Deficit on General Fund Balance in Year			37.4		
General Fund Balance			**121.2**		

3. Note to the expenditure and funding analysis

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

2024/25 **Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts**	**Capital adjustments not included in internal reporting**	**Pension adjustments not included in internal reporting**	**Other adjustments not included in internal reporting**	**Recharges and internal training included in internal reporting, removed for financial statements**	**Reserve movements included in internal reporting, removed for financial statements**	**Total adjustments to arrive at net expenditure chargeable to the General Fund Balance**	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
People	(0.1)	0.0	0.0	(4.8)	(0.8)	**(5.6)**	(6.1)	0.0	(0.1)	**(6.3)**
Children's Services	(0.5)	0.0	0.0	1.7	3.8	**5.1**	10.9	0.0	52.7	**63.6**
Economy & Infrastructure	(2.2)	0.0	0.0	0.2	(4.6)	**(6.6)**	51.7	0.0	(0.1)	**51.6**
Chief Executive & Corporate Functions	(13.0)	0.0	0.0	2.9	(9.5)	**(19.5)**	(0.5)	(0.5)	(2.4)	**(3.5)**
Net Cost of Services	**(15.7)**	**0.0**	**0.0**	**0.0**	**(11.1)**	**(26.7)**	**55.9**	**(0.5)**	**50.0**	**105.4**
Other Income and Expenditure from the Expenditure and Funding Analysis	10.6	0.0	0.0	0.0	18.2	**28.8**	(8.7)	0.7	4.5	**(3.5)**
Difference between General Fund surplus or deficit and CI&ES Surplus or Deficit on the Provision of Services	**(5.1)**	**0.0**	**0.0**	**0.0**	**7.2**	**2.1**	**47.2**	**0.2**	**54.6**	**102.0**

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

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

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

2023/24 **Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts**	Capital adjustments not included in internal reporting	Pension adjustments not included in internal reporting	Other adjustments not included in internal reporting	Recharges and internal training included in internal reporting, removed for financial statements	Reserve movements included in internal reporting, removed for financial statements	Total adjustments to arrive at net expenditure chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
People	0.0	0.0	0.8	(18.3)	16.1	(1.5)	3.2	0.1	(0.4)	2.8
Children's Services	0.0	0.0	2.2	(0.3)	1.9	3.7	17.5	0.2	21.6	39.3
Economy & Infrastructure	0.0	0.0	(8.1)	(5.7)	5.7	(8.0)	48.4	0.0	(0.2)	48.3
Commercial & Change	0.0	0.0	(4.5)	16.7	3.6	15.8	1.7	0.0	(0.2)	1.6
Finance, HR & Chief Executive	-1.8	0.0	6.1	7.6	(7.3)	4.7	(25.0)	(0.3)	(2.3)	(27.6)
Net Cost of Services	**-1.8**	**0.0**	**-3.5**	**0.0**	**20.0**	**14.8**	**45.7**	**0.0**	**18.5**	**64.3**
Other Income and Expenditure from the Expenditure and Funding Analysis	0.0	0.0	3.5	0.0	18.5	22.0	(49.4)	(2.3)	2.6	(49.2)
Difference between General Fund surplus or deficit and CI&ES Surplus or Deficit on the Provision of Services	**-1.8**	**0.0**	**0.0**	**0.0**	**38.6**	**36.9**	**(3.7)**	**(2.3)**	**21.1**	**15.1**

4. Segmental reporting

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

2024/25	People	Children's Services	Economy & Infrastructure	Chief Executive & Corporate Functions	Total
	£m	£m	£m	£m	£m
Income for Fees and Charges	(97.8)	(13.8)	(41.5)	(13.3)	(166.4)
Depreciation and Impairment	2.0	3.6	56.7	2.3	64.6
Premises Costs	11.8	10.9	(0.4)	0.9	23.2
Transport Costs	3.1	0.7	39.4	0.2	43.5
Third Party Payments	315.0	156.6	76.0	0.8	548.5

2023/24	People	Children's Services	Economy & Infrastructure	Commercial & Change	Finance, HR & Chief Executive	Total
	£m	£m	£m	£m	£m	£m
Income for Fees and Charges	(75.8)	(14.6)	(31.3)	(8.8)	(9.4)	(139.9)
Depreciation and Impairment	3.3	5.8	48.0	4.7	0.0	61.8
Premises Costs	9.9	11.5	(7.6)	6.9	0.7	21.3
Transport Costs	2.7	0.3	32.2	0.0	0.0	35.3
Third Party Payments	295.5	67.2	74.0	0.0	0.1	436.9

5. Expenditure and income analysed by nature

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

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

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

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

2023/24	Expenditure and Income analysed by nature	2024/25
£m		**£m**
254.8	Employee benefits expenses	276.9
755.7	Other service expenses	818.7
61.8	Depreciation amortisation and impairment	64.6
44.5	Loss on disposal of non-current assets	62.3
15.5	Revenue expenditure funded from capital under statute	11.5
79.5	Interest payments	91.5
0.3	Precepts and levies	0.3
1,212.1	**Total Expenditure**	**1,325.8**
	Income	
(139.9)	Fees and charges and other service income	(166.4)
(388.0)	Income from council tax and business rates	(407.7)
(446.6)	Grants and contributions credited to services	(486.1)
(115.9)	Grants and contributions credited to taxation and non-specific grant income	(82.8)
(66.2)	Interest and Investment Income	(66.2)
(2.9)	Other	(6.3)
(1,159.6)	**Total Income**	**(1,215.6)**
52.5	**Net Deficit/(Surplus) on Provision of Services**	**110.3**

It should be noted that due to the transfer in of WCF staff and services at 01 October 2025, the 2024/25 figures will only include 6 months of the WCF contract in ‘Other Service Expenses’, whereas 2023/24 will have 12 months of the WCF contract. Conversely, 2024/25 will include 6 months of Employee Expenses that were not included in 2023/24, as prior to 01 October 2025, those staff were not in WCC.

6. Grant and contribution income

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

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

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

6.1 Comprehensive Income and Expenditure Statement - credited to services

2023/24 Restated		2024/25
£m		£m
	People	
22.1	Social Care Grant - Adults element	23.7
17.5	Better Care Fund contribution	19.2
19.0	Improved Better Care Fund	19.0
9.2	Market Sustainability & Improvement	10.4
6.7	Disabled Facilities Grant	7.6
2.7	Discharge Fund	4.4
1.1	Urgent Emergent Care Grant	0.0
0.9	Other Adult Services grants and contributions	0.9
32.2	Public Health Grant	33.9
3.1	Other Public Health grants and contributions	4.5
7.9	Household Support Fund	7.9
4.7	Bromsgrove Schools PFI Grant	4.7
4.9	Libraries and community grants	3.9

2023/24 Restated		2024/25
3.1	Learning and skills grants	3.3
2.7	Homes for Ukraine	3.1
1.9	Holiday Food and Activity Funding	1.4
0.0	Resettlement Programme	1.2
0.6	Environmental grants and contributions	0.8
0.1	History and heritage grants	0.2
140.6	**Total People Services**	**150.4**
	Children’s Services	
245.3	Dedicated Schools Grant (DSG)	261.2
9.1	Pupil Premium Grant	8.4
3.6	Universal Infant Free School Meals	3.0
1.6	Post 16 Funding	0.9
0.0	Grants and contributions credited directly to maintained schools	0.6
1.5	Recovery grants to schools	0.4
3.4	Supplementary School Grant	0.0
4.7	Other education and skills grants	13.6
15.4	Social Care Grant	25.1
5.4	Unaccompanied Asylum Seeking Children	3.9
1.7	Youth grants	1.7
0.0	Delivering Better Value in SEND	1.3
2.5	Services Grant	0.4
2.7	Other children's social care grants and contributions	5.5
296.9	**Total Children’s Services**	**326.1**

2023/24 Restated		2024/25
	Economy & Infrastructure	
4.1	Transport	5.7
0.0	Home to School Transport	0.8
0.5	Economic Development	0.6
0.7	Environment and sustainability grants	0.3
1.3	Waste Disposal PFI	0.0
0.4	Enterprising Worcestershire	0.0
0.7	Other Economy & Infrastructure grants	0.5
7.7	**Total Economy & Infrastructure**	**7.9**
	Chief Executive & Corporate Functions	
0.4	New Homes Bonus	0.5
0.1	Finance grants and contributions	0.1
0.1	Legal & Governance grants	0.1
0.8	HR grants	1.0
0.1	Other corporate grants	0.0
1.4	**Total Chief Executive & Corporate Functions**	**1.7**
446.6	**Total Credited to Services**	**486.1**

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

2023/24 Restated £m		2024/25 £m
	Credited to taxation and non-specific grant income	
15.4	Business Rates Reliefs and S31 Grants	17.5
0.5	Levy Account Surplus Grant	0.5
0.0	Revenue Support Grant	0.0
(0.1)	Covid-19 75% Local Tax Income Guarantee	0.0
15.9	**Total Non-ringfenced Government grants**	**18.1**
	Capital grants	
20.8	Structural maintenance	21.1
40.5	Transport	9.2
7.1	Basic Needs	5.3
0.0	Energy efficiency and carbon reduction	4.9
4.5	LA Schools Condition Allocation	4.3
8.2	High Needs	2.4
2.3	European Regional Development Fund	0.0
1.5	Other capital grants	1.9
84.9	**Total Capital Grants**	**49.2**
15.1	Capital contributions	15.6
100.0	**Total Capital Grants and Contributions**	**64.8**
115.9	**Total credited to taxation and non-specific grant income**	**82.8**

6.3 Dedicated Schools Grant

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

The overall DSG deficit is £98.2 million and will be carried forward against future DSG income. Within the central expenditure, High Needs expenditure overspent by £58.5 million in 2024/25 (an increase from the £27.0 million High Needs overspend in 2023/24).

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2024/25 before academy and high needs recoupment	76.9	507.2	584.1
Academy and high needs recoupment 2024/25	0.0	(320.3)	(320.3)
Total DSG after High Needs and Academy Recoupment 2023/24	**76.9**	**186.9**	**263.8**
Plus: brought-forward from 2023/24	0.0	0.0	0.0
Less: carry-forward to 2025/26 agreed in advance	0.0	0.0	0.0
In-year adjustments	0.0	(0.7)	(0.7)
Final budgeted distribution for 2024/25	**76.9**	**186.2**	**263.1**
Actual Central Expenditure	129.3	0.0	129.3
Actual ISB deployed to Schools	0.0	188.4	188.4
In year carry forward to 2025/26	**(52.3)**	**(2.2)**	**(54.6)**
DSG unusable reserve at the end of 2023/24			**(43.6)**
Addition to DSG unusable reserve at the end of 2024/25			(54.6)
Total DSG unusable reserve at the end of 2024/25			**(98.2)**

Note: The DSG Total in Note 6.3 is different from the DSG total in Note 6.1. due to DSG elements such as income for Rates, which is not paid to the Local Authority, but is required for inclusion in Note 6.3 by Central Government.

7. Section 75 framework partnership agreements

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

Partnership expenditure (outturn) has been split to show what is primarily managed by the Integrated Care Board and the County Council for 2024/25. Included in the County Council contribution is £19.2 million Better Care Fund (BCF) and £19.0m Improved Better Care Fund (IBCF) allocations.

Partnership income	Partnership expenditure	Net partnership expenditure	ICB managed	WCC contribution		Partnership income	Partnership expenditure	Net partnership expenditure	ICB managed	WCC contribution
2023/24 £m	**2023/24 £m**	**2023/24 £m**	**2023/24 £m**	**2023/24 £m**		**2024/25 £m**	**2024/25 £m**	**2024/25 £m**	**2024/25 £m**	**2024/25 £m**
(130.1)	130.3	0.2	49.0	81.3	Consolidated Adult Social Care Services	(130.1)	130.3	0.2	49.0	81.3
(24.8)	24.7	(0.1)	10.7	14.0	Consolidated Children's and Education Services	(24.8)	24.7	(0.1)	10.7	14.0
(154.9)	**155.0**	**0.1**	**59.7**	**95.3**		**(154.9)**	**155.0**	**0.1**	**59.7**	**95.3**

The County Council had outstanding balances with the Integrated Care Board at 31 March 2025 of £8.5 million debtors (2023/24 £2.4 million) and £0.2 million creditors (2023/24 £0.2 million).

8. Other operating expenditure

2023/24		2024/25
£m		**£m**
0.6	Admin Expenses Pension	0.6
40.3	Loss on transfer of schools to other bodies (e.g. academies)	28.2
3.0	Loss on disposal of non-current assets	29.5
43.9		**58.3**

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

9. Financing and investment income and expenditure

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

2023/24		2024/25
£m		**£m**
26.0	Interest payable and similar charges	35.8
(2.9)	Net interest of the net defined pension liability	0.1
0.0	(Increase)/Impairment in value of long-term investments	0.5
0.0	Transfer of DFC balance to academy converters	0.1
(9.9)	Interest receivable and similar income	(10.6)
13.3		**25.9**

10. Taxation and non-specific grants

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

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

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

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

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

2023/24	Taxation and non-specific grants	2024/25
£m		**£m**
(320.1)	Council tax income	(338.2)
(68.0)	Non-domestic rates	(69.6)
(15.9)	Non-ring-fenced government grants	(18.1)
(100.0)	Capital grants and contributions	(64.8)
0.3	Environment Agency	0.3
(503.7)		**(490.3)**

11. Adjustments between accounting basis and funding basis under regulation

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

2024/25	Usable Reserves General Fund (Non-earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	55.4	0.0	0.0	0.0	(55.4)
Amortisation of intangible assets	0.7	0.0	0.0	0.0	(0.7)
Capital grants and contributions applied	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	11.5	0.0	0.0	0.0	(11.5)
Net loss on disposal of non-current assets	62.3	0.0	0.0	(0.1)	(62.3)
Statutory provision for the financing of capital investment	(17.2)	0.0	0.0	0.0	17.2
Capital expenditure charged against the General Fund	(2.3)	0.0	0.0	0.0	2.3
Revaluation to Capital Adjustment Account	8.1	0.0	0.0	0.0	(8.1)
Revaluation of Long-term Investment	0.5	0.0	0.0	0.0	(0.5)
Capital Grants and Contributions unapplied credited to the CI&ES	(64.8)	0.0	0.0	64.8	0.0
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(59.7)	59.7
Receipts from Capital Loan repayments applied to Capital Receipts Reserve	0.0	0.0	4.3	0.0	(4.3)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(4.5)	0.0	4.5	0.0	0.0
Transfer of capital receipts relating to leases	0.0	0.0	0.1	0.0	(0.1)
Gains recognised in NCOS which relate to IFRS16	(2.5)	0.0	0.0	0.0	2.5

2024/25	Usable Reserves General Fund (Non-earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(7.0)	0.0	7.0
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	25.5	0.0	0.0	0.0	(25.5)
Employer's pension contributions and direct payments to pensioners payable in the year	(25.3)	0.0	0.0	0.0	25.3
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.4)	0.0	0.0	0.0	0.4
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	(1.4)	0.0	0.0	0.0	1.4
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.4	0.0	0.0	0.0	(2.4)
Transfer of in-year DSG balance deficit to Unusable Reserve	54.0	0.0	0.0	0.0	(54.0)
Other-non-material adjustments	0.0	0.0	0.0	0.0	0.0
Total Adjustments	**102.0**	**0.0**	**1.9**	**5.0**	**(108.8)**

Adjustments between accounting basis and funding basis under regulation 2023/24 comparison

2023/24	Usable Reserves General Fund (Non-earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	58.0	0.0	0.0	0.0	(58.0)
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions applied	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	15.7	0.0	0.0	0.0	(15.7)
Net loss on disposal of non-current assets	44.5	0.0	0.0	0.0	(44.5)
Statutory provision for the financing of capital investment	(17.7)	0.0	0.0	0.0	17.7
Capital expenditure charged against the General Fund	(6.8)	0.0	0.0	0.0	6.8
Revaluation to Capital Adjustment Account	3.8	0.0	0.0	0.0	(3.8)
Capital Grants and Contributions unapplied to the CI&ES	(100.0)	0.0	0.0	100.0	0.0
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(56.6)	56.6
Receipts from Capital Loan Repayments applied to Capital Receipts Reserve	0.0	0.0	4.8	0.0	(4.8)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(1.2)	0.0	1.2	0.0	0.0
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(5.9)	0.0	5.9
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	23.1	0.0	0.0	0.0	(23.1)
Employer's pension contributions and direct payments to pensioners payable in the year	(25.4)	0.0	0.0	0.0	25.4

2023/24	Usable Reserves General Fund (Non-earmarked balances)	Usable Reserves General Fund (Earmarked reserves)	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2.2)	0.0	0.0	0.0	2.2
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	0.1	0.0	0.0	0.0	(0.1)
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3.2)	0.0	0.0	0.0	3.2
Transfer to in year DSG balance deficit to unusable reserve	0.0	23.9	0.0	0.0	(23.9)
Other non-material adjustments	2.6	0.0	0.0	0.0	(2.6)
Total Adjustments	**(8.8)**	**23.9**	**0.0**	**43.4**	**(58.5)**

12. Usable Reserves

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

	Opening Balance 01/04/24	Contributions To	Contributions From	Closing Balance 31/03/25
	£m	£m	£m	£m
General fund	16.1	3.5	(0.4)	19.2
Earmarked specific reserves	105.1	33.0	(44.3)	93.7
Capital receipts reserve	0.0	8.9	(7.0)	1.9
Capital grants unapplied	120.6	64.8	(59.9)	125.5
Total Usable Reserves	**241.8**	**110.2**	**(111.6)**	**240.3**

12.1 Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2024	Transfers in	Transfers out	Balance at 31 March 2025	Purpose of the reserve
	£m	£m	£m	£m	
Open for Business					
Open for Business	12.1	3.5	(5.4)	10.3	Supporting measures to grow our local economy
Local Authority Business Growth Initiative	0.4	0.0	0.0	0.4	Residual Local Authority Business Growth Initiative funding
Sub regional mineral plan	1.8	0.0	(0.2)	1.6	Funds held to support the delivery of the sub regional mineral plan
Growing Places reserve	1.5	0.0	(0.2)	1.2	Supporting growth in the local economy
Broadband Programme	1.9	2.5	0.0	4.4	Reserves to support digital connectivity
Other	3.1	0.5	(0.2)	3.4	Lower value reserves covering, for example, apprenticeships
Children & Families					
Children’s Revenue Grants	2.1	4.0	(0.8)	5.3	Grants held by the service for draw down as required
The Environment					
Regeneration and Infrastructure	0.8	0.2	0.0	1.1	Supporting measures to grow our local economy
Revenue grants unapplied	7.1	4.1	(2.4)	8.7	Grants held by the service for draw down as required
Other	0.2	0.1	0.0	0.3	Lower value reserves
Health and Wellbeing					
Public Health	7.1	0.1	0.0	7.2	Balances from the Ring-fenced Public Health Grant held to support the service against future changes in funding
Revenue grants unapplied	0.1	0.0	(0.1)	0.0	Grants held by the service for draw down as required
Unused grants carried forward	2.6	0.6	(0.7)	2.5	Grants held by the service for draw down as required

	Balance at 31 March 2024	Transfers in	Transfers out	Balance at 31 March 2025	Purpose of the reserve
Efficient Council					
Transformation/Change Reserve	1.2	0.1	(0.2)	1.1	Financing invest-to-save schemes to change the shape and design of the County Council
Communities Support Reserve	2.4	1.4	(0.0)	3.9	Grants funding the settlement of Afghan, Syrian and Ukraine visitors to Worcestershire
Digital Reserve	0.1	0.0	(0.1)	0.1	Supporting the development of digitally enabled operations as part of the organisational review
Elections	0.4	0.1	0.0	0.6	Annual amounts set aside to provide County Council elections, which happen every 4 years
Property Management	0.1	0.2	0.0	0.3	Funding for property-related expenditure
Insurance	7.0	0.0	(0.5)	6.5	Covering claims below the County Council’s insurance policy excess
Business Rates Pool	2.0	0.0	(0.6)	1.5	To enable smoothing of the impact of changes to the business rates retention across the Pool and changes in national funding levels, including rate appeal losses and any fall in rates collected
Councillors Divisional Fund	1.2	0.0	(0.6)	0.7	Funds to support Councillors’ local discretionary spend
Finance and Whole Council Revenue Grants	0.0	0.0	0.0	0.1	Grants held by the service for draw down as required
Financial Risk Reserve	40.2	9.0	(23.0)	26.2	Amount set aside to support financial risk
Other reserves (not available for core spend)					
Schools’ balances held under delegation	9.5	6.5	(9.5)	6.5	Balances held for individual maintained schools
Total	**105.1**	**33.0**	**(44.3)**	**93.7**	

13. Unusable Reserves

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

	Opening Balance 01/04/24	Transfers In	Transfers Out	Closing Balance 31/03/25	Purpose of the reserve
	£m	£m	£m	£m	
Pensions reserve	(4.4)	354.5	(354.0)	(3.9)	Movement in remeasurement of the net defined liability, adjusted under IFRIC 14.
Accumulated absences adjustment account	(3.1)	6.3	(8.6)	(5.4)	Balances relating to the accumulated holiday due but not taken in year
Financial instruments adjustment account	(1.0)	0.0	0.0	(1.0)	Valuation gains and losses on financial instruments carried at fair value
Capital adjustment account	210.9	104.4	(140.3)	174.9	A reserve account used to adjust for accounting items relating to non-current assets that have been recognised in the CIES
Revaluation reserve	321.0	53.9	(60.5)	314.4	Unrealised gains and losses arising from revaluations of long-term assets
Collection fund adjustment accounts	0.9	4.6	(2.8)	2.7	Surplus or deficit arising from agency arrangements
Deferred Capital Receipts Reserve	0.0	1.8	(0.1)	1.6	
DSG Adjustment Account	(44.1)	0.0	(54.0)	(98.2)	Accumulated DSG deficit
Total Unusable Reserves	**480.2**	**525.4**	**(620.4)**	**385.2**	

14. Property, Plant and Equipment

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

Recognition

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

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

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

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

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

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

Right-of-use assets are depreciated over the shorter of the lease term and useful asset life.

Infrastructure Assets

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

14.1 Movements

2024/25	Land and Buildings	Vehicles, plant, furniture & equi0pment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment^	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2024	**491.3**	**122.5**	**9.6**	**38.5**	**50.3**	**712.2**	**161.0**
Additions	12.9	1.8	0.0	0.3	15.0	30.1	0.0
Revaluation increases/(decreases) recognised in Revaluation Reserve	7.5	(3.0)	1.1	(7.5)	0.0	(2.0)	(4.5)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.7	0.0	0.0	(8.6)	0.0	(7.8)	0.2
Derecognition - disposals	(29.7)	(0.4)	0.0	(0.5)	0.0	(30.6)	0.0
Derecognition - other	(4.3)	0.0	0.0	0.0	(2.7)	(7.0)	0.0
Assets reclassified (to)/from Held for Sale	(2.0)	0.0	0.0	(0.5)	0.0	(2.5)	0.0
Assets reclassified to other categories	(30.2)	0.0	0.1	30.1	0.0	0.0	0.0
Other movements in cost or valuation	5.0	(1.7)	0.5	0.0	(20.1)	(16.4)	(0.9)
At 31 March 2025	**451.3**	**119.1**	**11.3**	**51.8**	**42.5**	**676.0**	**155.8**

^Total Property, Plant & Equipment excluding Infrastructure Assets

2024/25	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment^	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2024	**(4.4)**	**(17.2)**	**0.0**	**0.0**	**0.0**	**(21.7)**	**0.0**
Depreciation charge	(7.2)	(7.5)	(0.1)	0.0	0.0	(14.8)	(6.9)
Depreciation written out to the Revaluation Reserve	8.2	5.9	0.0	1.0	0.0	15.1	6.9
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.2	0.0	0.0	0.0	0.0	0.2	0.0
Derecognition - disposals	0.1	0.3	0.0	0.0	0.0	0.5	0.0
Derecognition - other	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Assets reclassified to/(from) Held for Sale	0.3	0.0	0.0	0.0	0.0	0.3	0.0
Assets reclassified to other categories	1.0	0.0	0.0	(1.0)	0.0	0.0	0.0
Other movements in depreciation and impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2025	**(1.7)**	**(18.5)**	**(0.1)**	**0.0**	**0.0**	**(20.3)**	**0.0**

Net book value							
At 31 March 2025	**449.6**	**100.6**	**11.2**	**51.8**	**42.5**	**655.7**	**155.8**
At 31 March 2024	**486.9**	**105.3**	**9.6**	**38.5**	**50.3**	**690.6**	**161.0**

^*Total Property, Plant & Equipment excluding Infrastructure Assets*

Infrastructure Assets	£m
Opening Net book value at 1 April 2024	**588.5**
Additions	61.1
Other movements in cost or valuation	17.8
Depreciation charge	(40.5)
Derecognition	(27.1)
Closing Net book value at 31 March 2025	**600.0**

Reconciliation to Balance Sheet	£m
Net book value of PPE excluding Infrastructure Assets	655.7
Net book value of Infrastructure Asset	600.0
Total Net book value of PPE at 31 March 2025	**1,255.7**

Highways Network Infrastructure Assets

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

Infrastructure Assets - Recognition

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

Infrastructure Assets - Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Infrastructure Assets - Depreciation

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

Infrastructure Assets - Disposals and derecognition

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

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

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

Movements 2023/24 Comparison

2023/24	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment^	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2023	**501.7**	**123.9**	**9.5**	**2.6**	**50.5**	**688.3**	**202.6**
Additions	4.0	1.6	0.1	0.4	19.4	25.4	0.0
Revaluation increases/(decreases) recognised in Revaluation Reserve	31.5	(4.2)	0.0	32.1	0.0	59.4	1.3
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.7)	0.0	0.0	(0.5)	0.0	(2.2)	(1.4)
Derecognition - disposals	(40.8)	(0.7)	0.0	0.0	0.0	(41.5)	(35.5)
Derecognition - other	(7.4)	0.0	0.0	0.0	(1.3)	(8.8)	(6.1)
Assets reclassified (to)/from Held for Sale	2.9	0.0	0.0	3.1	0.0	5.9	0.0
Assets reclassified to other categories	(0.8)	0.0	0.0	0.8	0.0	0.1	0.0
Other movements in cost or valuation	2.0	2.0	0.0	0.1	(18.4)	(14.4)	0.0
At 31 March 2024	**491.3**	**122.5**	**9.6**	**38.5**	**50.3**	**712.2**	**161.0**

^*Total Property, Plant & Equipment excluding Infrastructure Assets*

2023/24	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment^	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2023	**(6.0)**	**(16.3)**	**0.0**	**0.0**	**0.0**	**(22.3)**	**(3.3)**
Depreciation charge	(8.7)	(7.5)	0.0	0.0	0.0	(16.2)	(7.1)
Depreciation written out to the Revaluation Reserve	4.8	5.8	0.0	0.1	0.0	10.7	6.7
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.4	0.0	0.0	0.0	0.0	0.4	0.0
Derecognition - disposals	0.4	0.8	0.0	0.0	0.0	1.2	0.4
Derecognition - other	4.6	0.0	0.0	0.0	0.0	4.7	3.3
Assets reclassified to/(from) Held for Sale	(0.2)	0.0	0.0	0.0	0.0	(0.2)	0.0
Assets reclassified to other categories	0.2	0.0	0.0	(0.1)	0.0	0.0	0.0
Other movements in depreciation and impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2024	**(4.4)**	**(17.2)**	**0.0**	**0.0**	**0.0**	**(21.7)**	**0.0**
Net book value							
At 31 March 2024	**486.9**	**105.3**	**9.6**	**38.5**	**50.3**	**690.6**	**161.0**
At 31 March 2023	**495.7**	**107.6**	**9.5**	**2.6**	**50.5**	**666.0**	**199.4**

^Total Property, Plant & Equipment excluding Infrastructure Assets

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

Reconciliation to Balance Sheet	£m
Net book value of PPE excluding Infrastructure Assets	690.6
Net book value of Infrastructure Asset	588.5
Total Net book value of PPE at 31 March 2024	**1,279.1**

14.2 Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. This also ensures compliance with the CIPFA Local Authority Code of Practice, which states that valuations shall be carried out at intervals of no more than five years. Further revaluations are carried out where there have been material changes. Non-property assets with short useful lives and/or low values are valued at depreciated historical cost and where there is no market-based evidence of current value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used. The County Council's valuations as at 31 March 2025 have been completed by:

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

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

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

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

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

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

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

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

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

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Valued as at:								
31 March 2025	365.0	95.0	0.0	1.1	34.6	0.0	495.6	155.8
01 April 2024 *	1.7	0.0	0.0	0.4	0.0	0.0	2.1	0.0
31 March 2024	55.3	0.0	0.0	0.0	17.2	0.0	72.5	0.0
31 March 2023	24.0	0.0	0.0	9.7	0.0	0.0	33.6	0.0
31 March 2022	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31 March 2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Held at cost	3.6	5.6	600.0	0.0	0.0	42.5	651.7	0.0
Total cost or valuation	**449.6**	**100.6**	**600.0**	**11.2**	**51.8**	**42.5**	**1,255.7**	**155.8**

** Due to the implementation of IFRS16 the County Council had some right-of-use assets valued for the first time on 1st April 2024 (the date the standard was implemented).*

14.3 Revaluation reserve

The revaluation reserve contains revaluation gains arising from increases in the value of PPE assets. The balance is reduced when assets with accumulated gains are:

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

2023/24		2024/25
£m		**£m**
280.4	**Opening Balance at 1 April**	**321.0**
78.8	Revaluations upwards during the year	32.3
(5.0)	Depreciation of revaluations	(4.3)
(8.5)	Revaluations downwards during the year	(19.2)
(24.7)	Disposal of revaluations	(15.4)
321.0	**Closing Balance at 31 March**	**314.4**

14.4 Downward revaluations and disposal losses

Disposal proceeds above £10k are categorised as capital receipts and used for new capital investment or set aside to reduce the County Council's underlying need to borrow (the Capital Financing Requirement). Gains or losses arising from the derecognition of an asset recognises the difference between the disposal proceeds and carrying value of the asset and is included in the Surplus or Deficit on the Provision of Services. There is then a credit to the Capital Receipts Reserve equal to the disposal proceeds and a debit to the Capital Adjustment Account for the carrying amount of the fixed asset disposal.

Schools converting to academy status are transferred for nil consideration.

2023/24		2024/25
£m		**£m**
12.6	Downward revaluations - other land and buildings	27.8
0.0	Downward revaluations – vehicles, plant, furniture & equipment	0.0
2.0	Downward revaluations – assets held for sale	0.5
43.3	Disposal losses – other land & buildings	57.8
57.9		**86.1**

14.5 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

2023/24		2024/25
£m		**£m**
223.5	**Balance at 1 April**	**210.9**
	Capital Financing:	
1.2	Capital receipts (sale proceeds)	2.7
4.8	Capital receipts (capital loan repayment)	4.3
56.6	Capital grants and contributions	59.7
6.8	Revenue contributions to capital expenditure	2.3
69.2		**69.0**
(3.8)	Downward revaluations charged to Comprehensive Income and Expenditure Statement	(8.1)
(58.0)	Depreciation & Amortisation charged to Comprehensive Income and Expenditure Statement	(56.0)
5.0	Historic cost depreciation adjustment	4.3
19.2	MRP/loans fund principal (excluding PFI & IFRS16)	13.0
0.0	MRP/loans fund principal (IFRS16)	0.7
4.3	MRP/loans fund principal (PFI)	3.6
(5.8)	MRP/loans fund principal (PFI) Prior Year Adjustment	0.0
(15.7)	REFCUS adjustment	(11.5)
(44.5)	Loss on disposal of non-current assets	(62.3)
24.7	Release of revaluation reserve on disposal of assets	15.4
(7.4)	Other adjustments	(4.0)
210.9	**Closing Balance at 31 March**	**174.9**

14.6 Contractual commitments for property, plant and equipment

As at 31 March 2025, the following contracts have been entered into for the construction or enhancement of PPE.

Major schemes where contracts have been let:	**£m**
A38 Bromsgrove	19.7
Kepax Bridge	1.2
Battenhall Bridge	1.8
NPRN Bridge Maintenance	1.6
Birchensale Middle School	1.0
Sub-total	**25.4**
Committed schemes less than £1 million	10.3
Major schemes where contracts have been let:	**35.7**

14.7 School assets

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

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

- Local authority schools which are due to convert to academy status post balance sheet date are treated as non-adjusting post balance sheet date events. Where a school transfers after 31 March 2025, details are given in the Events after the Balance Sheet date note at the end of the accounts.

	Number of schools at 31 March 2025	Value held on Balance Sheet at 31 March 2025	Status
		£m	
Community	42	215.1	On Balance Sheet
Maintained & Academy PFI Schools	7	27.0	On Balance Sheet
Voluntary controlled	36	2.3	Off Balance Sheet
Voluntary aided	18	0.2	Off Balance Sheet
Academy (Non-PFI)	135	0.2	Off Balance Sheet
Foundation	1	0.0	Off Balance Sheet
Free School	4	0.0	Off Balance Sheet
	243	**244.8**	

14.8 Assets held for sale

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

2023/24		2024/25
£m		£m
1.2	Assets Held for Sale	2.7

14.9 Capital expenditure and capital financing

2023/24		2024/25
£m		£m
835.1	**Opening capital financing requirement**	**845.9**
	Capital investment:	
0.0	IFRS16 Application PFI Adjustment	(0.9)
0.0	IFRS16 Application - Right of use asset recognition	6.4
82.1	Property, plant and equipment	84.9
0.0	Heritage assets	0.4
0.0	Intangible assets	0.3
15.7	Revenue expenditure funded from capital under statute	11.5
97.8	**Total Capital Investment**	**102.5**
	Sources of finance:	
(1.2)	Capital receipts (sale proceeds)	(2.7)
(4.8)	Capital receipts (capital loan repayment)	(4.3)
(56.6)	Government grants & other contributions	(59.7)
	Sums set aside from revenue:	
(6.8)	Direct revenue contributions	(2.3)
(19.2)	MRP/loans fund principal (excluding PFI)	(13.0)
0.0	MRP/loans fund principal (IFRS16)	(0.7)
(4.3)	MRP/loans fund principal (PFI)	(3.6)
5.8	MRP/loans fund principal (PFI) Prior Year Adjustment	0.0
845.9	**Closing Capital Financing Requirement**	**862.2**

2023/24		2024/25
(138.7)	Long-term liabilities (PFI liabilities)	(131.2)
707.2	**Underlying need to borrow**	**731.0**
	Explanation of movements in year	
33.3	Increase in underlying need to borrow	32.2
0.0	Initial Application of IFRS16	5.5
(4.8)	Repayment of long-term capital debtors	(4.3)
(17.7)	MRP	(17.2)
10.8	**Increase/(decrease) in Capital Financing Requirement**	**16.3**

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

- The average life of all assets at 31 March 2008 for pre-2008 debts, and
- The average asset class life for post-2008 debts, using schools, highways, and other assets as our key categories.
- For new infrastructure assets, a review of the assets and their expected useful life by the Infrastructure Asset Manager and Finance Business Partner.
- For PFI assets, the MRP charge is based on the useful economic life relevant to each asset.
- For right-of-use assets, the MRP charge equals the amount of principal repaid in the year.

The total MRP charge in 2024/25 is £17.2m represented by £13.0m charged in respect of non-PFI assets & non-IFRS16 assets, £0.7m for IFRS16 right-of-use assets and £3.6m in respect of PFI assets.

15. Private finance initiatives (PFI)

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

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

1. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
2. Finance cost – a percentage interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement under Financing, investment income &expenditure.
3. Payment towards liability – applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.
4. Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the Balance Sheet and recognised as property, plant and equipment when the contractor incurs the expenditure.

The County Council has three PFI contracts providing waste services (including energy from waste), schools and library services. These contracts have been assessed as meeting the requirements of IFRIC 12 and the non-current assets relating to the service provision have been brought on to the County Council's Balance Sheet with a corresponding finance liability.

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

15.1 Waste Disposal PFI

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

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

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

Both Councils will be providing circa 82% of the Project Finance requirement from their own planned borrowing from the Public Works and Loans Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Limited. The loan is shown under long term Debtors on the Balance Sheet and the effective interest rate is shown under financial investments on the Comprehensive Income and Expenditure Statement.

15.2 Bromsgrove Schools PFI

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

15.3 Worcester Library and History Centre (The Hive) PFI

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

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

15.4 Value of assets and liabilities under PFI contracts

	PPE – Land & Buildings Waste disposal	PPE – Land & Buildings Bromsgrove schools	PPE – Land & Buildings The Hive	PPE – Land & Buildings Total	PPE - vehicle, plant & equipment Waste disposal	PPE Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 31 March 2024	**4.9**	**27.5**	**28.7**	**61.0**	**99.9**	**160.9**
Additions	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Depreciation	0.0	(0.4)	(0.6)	**(1.0)**	(5.9)	**(6.9)**
Revaluations	0.2	0.8	(1.3)	**(0.3)**	2.8	**2.6**
Derecognition - disposals	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Derecognition - other	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Other Movements	0.0	0.0	1.0	**1.0**	(1.9)	**(0.9)**
Balance at 31 March 2025	**5.1**	**27.9**	**27.9**	**60.8**	**95.0**	**155.8**

Finance Lease Liability

	Waste disposal	Bromsgrove schools	The Hive	Total
	£m	**£m**	**£m**	**£m**
Balance at 31 March 2024	**(79.4)**	**(44.2)**	**(15.1)**	**(138.7)**
Remeasurement of Opening Liability for IFRS 16	1.9	0.0	0.0	1.9
Balance at 01 April 2024	**(77.5)**	**(44.2)**	**(15.1)**	**(137.8)**
Additions	0.0	0.0	0.0	0.0
Payments	4.3	1.8	0.6	6.7
Balance at 31 March 2025	**(73.2)**	**(42.4)**	**(15.6)**	**(131.2)**

15.5 Details of payments due to be made under PFI contracts

	Repayment of liability	Service Charge	Interest	Total
	£m	**£m**	**£m**	**£m**
Payments due within one year	7.1	38.7	9.6	**55.4**
Payments due within 2 to 5 years	81.7	127.1	29.9	**238.6**
Payments due within 6 to 10 years	24.2	56.5	15.3	**96.0**
Payments due within 11 to 15 years	18.2	37.6	3.1	**58.9**
Payments due within 16 to 20 years	0.0	0.0	0.0	**0.0**
Total	**131.2**	**259.8**	**58.0**	**448.9**

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

16. Financial instruments

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

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

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

16.1 Income, expense, gains and losses on Financial Instruments 2024/25

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

Financial Liabilities Measured at Amortised Cost	Financial Assets at Amortised Cost	Financial Assets at Fair Value Through Profit and Loss	23/24 Total		Financial Liabilities Measured at Amortised Cost	Financial Assets at Amortised Cost	Financial Assets at Fair Value Through Profit and Loss	24/25 Total
£m	£m	£m	£m		£m	£m	£m	£m
(26.0)	0.0	0.0	(26.0)	Interest expense	(35.8)	0.0	0.0	(35.8)
1.5	6.0	2.5	10.1	Interest income	2.4	5.9	2.4	10.6
0.0	0.0	0.0	0.0	Increase/(decrease) in fair value	0.0	0.0	(0.5)	(0.5)
(0.1)	0.0	0.0	(0.1)	Fee expense	(0.1)	0.0	0.0	(0.1)
(24.6)	**6.0**	**2.5**	**(16.1)**	**Net gain/(loss) for the year**	**(33.6)**	**5.9**	**1.9**	**(25.8)**

16.2 Financial assets

Financial assets are classified as either:

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

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

31/03/2024 Long-term	31/03/2024 Current	31/03/2024 Total	Category	31/03/2025 Long-term	31/03/2025 Current	31/03/2025 Total
£m	£m	£m		£m	£m	£m
0.0	0.0	0.0	Amortised cost	0.0	0.0	0.0
1.9	0.8	2.7	Financial assets at fair value through profit & loss	1.5	0.7	2.2
1.9	**0.8**	**2.7**	**Total Investments**	**1.5**	**0.7**	**2.2**
0.0	1.5	1.5	Cash	0.0	0.0	0.0
0.0	0.0	0.0	Cash equivalents at amortised cost	0.0	0.0	0.0
0.0	79.2	79.2	Fair value through profit & loss	0.0	48.0	48.0
0.0	**80.7**	**80.7**	**Total Cash**	**0.0**	**48.0**	**48.0**
100.4	66.2	166.6	Debtors*	95.1	94.0	189.1
102.4	**147.7**	**250.0**	**Total financial assets**	**96.6**	**142.7**	**239.3**

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

0.0	31.9	31.9	Debtors which do not meet the definition of a financial instrument	0.0	36.8	36.8
100.4	**98.1**	**198.5**	**Balance Sheet Debtors Total**	**95.1**	**130.8**	**225.9**

16.3 Financial liabilities

Financial liabilities are recognised on the Balance Sheet once there is a contractual obligation and are initially measured at fair value and carried at amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of loans has been assessed at current market conditions by calculating the present valu8e of the cash flows that take place over the remaining life of the loans.

31/03/2024 Long-term	31/03/2024 Current	31/03/2024 Total	Category	31/03/2025 Long-term	31/03/2025 Current	31/03/2025 Total
£m	£m	£m		£m	£m	£m
(399.8)	(155.6)	(555.4)	Financial liabilities at amortised cost	(496.6)	(110.5)	(607.2)
(0.0)	(13.1)	(13.1)	Bank account liabilities	(0.0)	(16.5)	(16.5)
(0.0)	(52.0)	(52.0)	Creditors*	(5.1)	(62.0)	(67.0)
(132.4)	(6.3)	(138.7)	Other financial liabilities (PFI) at amortised cost	(118.0)	(13.1)	(131.2)
(532.2)	**(227.0)**	**(759.2)**	**Total financial liabilities**	**(619.7)**	**(202.1)**	**(821.8)**

*The creditors figure stated is lower than the creditors shown on the Balance Sheet as it excludes the following amounts which do not meet the definition of a financial asset. The short-term creditors figure on the balance sheet also includes the £13.1m current year PFI liability. Hence the total below is different to the face of the balance sheet by £13.1m:

(0.0)	(39.5)	(39.5)	Creditors which do not meet the definition of a financial instrument	(0.0)	(44.8)	(44.8)
(0.0)	**(97.8)**	**(97.8)**	**Balance Sheet Creditors Total**	**(5.1)**	**(106.8)**	**(111.9)**

16.4 Fair value of financial assets and liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions.

Financial liabilities and financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of remaining cash flows at 31 March 2025 using fair value techniques appropriate to the characteristics of each instrument, using the following methods and assumptions:

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

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

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

Fair value of financial assets

31/03/2024 Fair value level	31/03/2024 Balance Sheet value	31/03/2024 Fair value	Category	31/03/2025 Fair value level	31/03/2025 Balance Sheet value	31/03/2025 Fair value
£m	£m				£m	£m
			Financial asset held at fair value through profit & loss			
1	0.8	0.8	Short-term investments	1	0.7	0.7
1	80.7	80.7	Cash and cash equivalents	1	48.0	48.0
3	1.9	1.9	Long-term investments (Malvern Hills Science Park)	3	1.5	1.5
	83.4	**83.4**	**Subtotal**		**50.2**	**50.2**
			Financial asset held at amortised cost			
1	100.4	100.4	Long-term debtors	1	95.1	95.1
1	0.0	0.0	Investments	1	0.0	0.0
	100.4	**100.4**	**Subtotal**		**95.1**	**95.1**
	183.8	**183.8**	**Total**		**145.3**	**145.3**
	66.2	66.2	Assets for which fair value is not disclosed*		94.0	94.0
	250.0	**250.0**	**Total Financial Assets**		**239.3**	**239.3**
			Recorded on Balance Sheet as:			
	100.4		Long term loans and advances		95.1	
	1.9		Long term investments		1.5	
	0.8		Short-term investments		0.7	
	66.2		Short-term debtors		94.0	
	80.7		Cash and cash equivalents		48.0	
	250.0		**Total Financial Assets**		**239.3**	

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

Fair value of financial liabilities

31/03/2024 Fair value level	31/03/2024 Balance Sheet value	31/03/2024 Fair value		31/03/2025 Fair value level	31/03/2025 Balance Sheet value	31/03/2025 Fair value
	£m	£m			£m	£m
			Financial liabilities held at amortised cost			
2	369.5	296.0	Long term PWLB loans	2	440.6	395.0
2	30.3	30.3	Other long term loans	2	56.0	48.2
1	13.1	13.1	Bank Account Liabilities	1	16.5	16.5
1	6.3	6.3	PFI liabilities (ST)	1	13.1	13.1
1	132.4	132.4	PFI liabilities (LT)	1	118.0	118.0
	59.2	57.5	Short term PWLB loans		32.5	32.5
	96.4	89.9	Other short term loans		78.1	78.1
	707.2	**625.5**	**Total financial liabilities held at amortised cost**		**754.8**	**701.4**
	52.0	0.0	Liabilities for which fair value is not disclosed*		67.0	0.0
	759.2	**625.5**	**Total financial liabilities**		**821.8**	**701.4**
			Recorded on Balance Sheet as:			
	58.3		Short term creditors		62.0	
	155.6		Short term borrowings		110.5	
	13.1		Bank account liabilities		16.5	
	0.0		Long term creditors		5.1	
	399.8		Long term borrowings		496.6	
	132.4		Other long term liabilities		131.2	
	759.2		**Total Financial Liabilities**		**821.8**	

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

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

16.5 Nature and extent of risks arising from financial instruments

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

The Strategy imposes a maximum sum and duration that the County Council can invest in an institution, depending upon the quality of credit rating. The Strategy for 2024/25 was approved by Council on 15 February 2024.

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

Credit risk

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

Credit Risk Management Practices

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

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

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

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

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

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

The County Council's maximum exposure to credit risk in relation to its investments in financial institutions of £25.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the County Council's deposits but there was no evidence at the 31 March 2025 that this was likely to crystallise

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

- Cash and Cash Equivalents - No material risk on the basis that these are liquid assets.
- Short-term investments – No material risk due to low balance of Short-term investments at 31 March 2025.
- Capital Advances treated as a Loan – No material risk. In respect of the loan arrangement to Mercia Waste, we assess the 12 month potential credit loss; as this has been quantified as not material, we see no reason to revise our assessment from previous years given that:
    - The nature of the Counterparty's activity (waste management), which has continued to operate as expected throughout the recent period of pandemic recovery and overall economic uncertainty; and
    - The nature of the underlying asset (clean power generation), notwithstanding short-term energy price fluctuations, we do not anticipate any risk of obsolescence, loss of amenity or other factors that would suggest an impairment in the value of the asset.

Credit risk: Treasury Investments

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

31/03/2024 Long Term	31/03/2024 Short Term	Credit Rating	31/03/2025 Long Term	31/03/2025 Short Term
£m	£m		£m	£m
1.9	80.0	AAA	1.5	57.4
0.0	0.0	AA-	0.0	0.0
0.0	0.8	A	0.0	0.8
1.9	**80.7**	**Total**	**1.5**	**58.2**
0.0	0.0	Credit Rating not applicable	0.0	0.0
1.9	**80.7**	**Total Investments**	**1.5**	**58.2**
0.0	0.0	Accrued Interest excluded	0.0	0.0
1.9	**80.7**	**Total Investments**	**1.5**	**58.2**

Liquidity risk

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

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

31 March 2024		31 March 2025
£m		**£m**
155.6	Maturing within one year	110.5
38.3	Maturing in 1-2 years	103.4
36.1	Maturing in 2-5 years	77.0
47.0	Maturing in 5-10 years	47.7
278.4	Maturing in more than 10 years	268.6
555.4	**Total**	**607.2**

17. Long term investments

31 March 2024		31 March 2025
£m		**£m**
1.9	Malvern Hills Science Park	1.5
1.9	**Total**	**1.5**

17.1 Malvern Hills Science Park

Malvern Hills Science Park is a limited company established by the County Council with its partners Malvern Hills District Council and the Hereford and Worcester Chamber of Commerce and Enterprise. The County Council holds 9 voting shares out of a total issue of 100; this has been judged not to give the County Council a controlling influence. In addition, the County Council holds Preference shares of 957,103 shares (957,103 in 2021/22) and 6,190 P2 shares (6,190 2021/22). The preference shares carry no voting rights. These are the only Level 3 investments held by the County Council. The County Council's investment, measured at fair value in 2024/25, is £1.5 million (2023/24 £1.9m). This is shown on the Balance Sheet as a Long-Term investment, and the asset is held at Fair Value Through Profit and Loss (included in note 16.2). The value of the shares has been reviewed following publication of the Company’s 2023/24 accounts. There is one Cabinet member on the Board.

18. Debtors

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

31 March 2024 Restated		31 March 2025
£m		**£m**
	Long term debtors:	
7.0	Trade receivables	6.2
93.4	Capital loans and advances	88.9
100.4		**95.1**
	Short term debtors:	
55.8	Trade receivables	83.4
5.6	Prepayments	6.7
0.0	Short-term finance lease receivables	0.3
15.2	VAT	14.9
19.2	Council tax	19.5
2.2	NNDR	3.5
2.0	Other receivables	2.4
100.0		**130.8**
200.4	**Total debtors**	**225.9**

The County Council does not generally allow credit for trade receivables debtors, however £23.9 million of balances are past due date for payment and can be analysed as follows. The current impairment allowance for trade debtors in the Balance Sheet is £10.6 million (£5.6 million for general Trade Debtors and £5.0 million for Fairer Charging Clients), an increase of £0.1 million on the March 2024 figure.

	£m
One to three months	5.2
Three to six months	3.0
Six months to one year	4.2
More than one year	11.4
Total	**23.9**

19. Cash and cash equivalents

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

	Opening Balance 01/04/2024	**Movement During the Year**	**Closing Balance 31/03/2025**
	£m	**£m**	**£m**
Bank current accounts (assets)	1.5	0.2	1.7
Bank current accounts (liabilities)	(13.1)	(3.4)	(16.5)
Short Term investments held as cash	79.2	(32.9)	46.3
Total cash and cash equivalents	**67.6**	**(36.1)**	**31.5**

20. Creditors

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

31 March 2024 Restated		31 March 2025
£m		**£m**
	Long-term creditors	
0.0	Long-term lease liabilities	(5.1)
	Short-term creditors	
(52.0)	Trade payables	(61.9)
(9.4)	Receipts in Advance	(10.6)
(3.1)	Employee Leave Accrual	(5.4)
(18.3)	Council tax	(18.3)
(0.8)	NNDR	(0.7)
(6.3)	PFI Contract < 1 year	(13.1)
(8.4)	Other payables	(9.7)
(98.2)	**Total creditors**	**(124.9)**

21. Other long-term liabilities

2023/24		2024/25
£m		£m
(132.4)	PFI liabilities due in over 1 year	(118.0)
(2.7)	Net defined benefit surplus/(deficit)	(2.4)
(1.7)	Teachers' Pension scheme Added year surplus/(deficit)	(1.5)
(136.8)	**Other Long-term Liabilities**	**(121.9)**

22. Grants and contributions receipts in advance

31 March 2024		31 March 2025
36.5	Section 106 Town and Country Planning Act 1990	38.1
2.3	Section 278 Highways Act 1980	2.9
0.3	Short-term Grants Received in Advance	0.4
39.1		**41.4**

23. Cash activities

23.1 Operating activities

2023/24		2024/25
£m		£m
	The surplus/deficit on the provision of services has been adjusted for the following non-cash movements	
58.0	Depreciation	55.4
3.8	Downward revaluations	8.1
0.0	Amortisation	0.7
(4.3)	(Increase)/decrease in impairment for bad debts	(0.1)
(0.8)	(Increase)/decrease in other provisions	1.0
18.7	(Decrease)/Increase in creditors	21.0
14.7	(Increase)/decrease in debtors	(25.1)
(1.4)	Movement in pension liability/asset	0.6
(0.3)	(Increase)/decrease in Inventories	0.4
44.5	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	62.3
(22.3)	Other non –cash items	(0.1)
110.7		**124.1**
	The surplus/deficit on the provision of services has been adjusted for the following items that are investing or financing activities	
(1.2)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4.5)
(100.0)	Any other items for which the cash effects investing of financing cash flows	(64.8)
(101.2)		**(69.2)**

23.2 Investing activities

2023/24		2024/25
£m		**£m**
(82.0)	Purchase of property, plant & equipment and intangible assets	(85.5)
(210.0)	Purchase of short-term & long-term investments	(22.1)
4.8	Other payments for investing activities	4.3
1.2	Proceeds from the sale of property, plant & equipment and intangible assets	4.5
224.2	Proceeds from short-term & long-term investments	22.1
100.0	Other receipts from investing activities	64.8
38.2	**Net cash flows from investing activities**	**(12.1)**

Other receipts from investing activities (£64.8 million) are represented by Capital Grants of £64.8 million.

23.3 Financing activities

2023/24		2024/25
£m		**£m**
134.0	Cash receipts of short-term & long-term borrowing	181.3
0.0	Other receipts from financing activities	0.0
(6.1)	Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-Balance Sheet PFI contracts	(14.4)
(110.7)	Repayments of short and long-term borrowing	(135.6)
17.2	**Net cash flows from financing activities**	**31.4**

23.4 Interest Received and Paid

2023/24		2024/25
£m		£m
2.3	Interest received	10.6
(26.0)	Interest paid	(35.8)

24. Officers' remuneration

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

24.1 Remuneration over £50,000 per annum

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

2023/24 Teachers	2023/24 Non-Teachers	2023/24 Total	Total Remuneration to Employees	2024/25 Teachers	2024/25 Non-Teachers	2024/25 Total
89	76	165	£50,000 to £54,999	134	72	206
41	29	70	£55,000 to £59,999	50	39	89
43	27	70	£60,000 to £64,999	35	24	59
36	25	61	£65,000 to £69,999	33	22	55
15	9	24	£70,000 to £74,999	27	19	46
20	0	20	£75,000 to £79,999	17	1	18
12	1	13	£80,000 to £84,999	11	5	16
6	3	9	£85,000 to £89,999	11	1	12
4	1	5	£90,000 to £94,999	4	0	4
2	4	6	£95,000 to £99,999	4	2	6
2	5	7	£100,000 to £104,999	2	4	6
1	1	2	£105,000 to £109,999	2	0	2
1	1	2	£110,000 to £114,999	1	2	3
0	1	1	£115,000 to £119,999	0	0	0
0	1	1	£120,000 to £124,999	0	2	2
1	0	1	£125,000 to £129,999	1	0	1
0	2	2	£130,000 to £134,999	0	0	0
0	0	0	£135,000 to £139,999	1	2	3

2023/24 Teachers	2023/24 Non-Teachers	2023/24 Total	Total Remuneration to Employees	2024/25 Teachers	2024/25 Non-Teachers	2024/25 Total
0	1	1	£140,000 to £144,999	0	1	1
0	1	1	£195,000 to £199,999	0	0	0
0	0	0	£200,000 to £204,999	0	1	1
273	**188**	**461**		**333**	**197**	**530**

24.2 Senior employees' remuneration

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

Post Title		Salary	National Insurance	Expense allowances	Pension Contributions	Total	Position start date	Position end date
		£	£	£	£	£		
Chief Executive, Paul Robinson	**2024/25**	201,549	26,558	154	34,868	263,129		
	2023/24	196,633	25,880	82	34,018	256,612		
Director of Children's Services	**2024/25**	31,844	4,057	0	5,224	41,125		30.06.2024
Director of Children's Services	**2024/25**	96,211	12,336	0	0	108,547	01.07.2024	
	2023/24	151,276	19,621	117	25,868	196,881		
Director of Economy & Infrastructure	**2024/25**	147,997	19,168	79	25,604	192,849		
	2023/24	144,388	18,664	0	24,979	188,030		
Director of Commercial & Change	**2024/25**	34,998	6,961	4	5,406	47,368		30.06.2024
	2023/24	136,576	15,523	0	21,034	173,133		
Director of Public Health	**2024/25**	121,135	14,481	117	19,771	155,503		
	2023/24	118,499	14,686	0	19,984	153,169		

Post Title		Salary	National Insurance	Expense allowances	Pension Contributions	Total	Position start date	Position end date
Chief Financial Officer	**2024/25**	122,914	15,707	236	20,479	159,336		
	2023/24	90,464	11,438	105	15,650	117,658	19.06.2023	
Interim Chief Financial Officer	**2024/25**	n/a	n/a	n/a	n/a	n/a		
	2023/24	22,527	2,900	0	3,897	29,324	13.03.2023	18.06.2023
Assistant Director Legal & Governance	**2024/25**	122,891	14,248	0	19,588	156,728		
	2023/24	110,465	13,989	0	19,110	143,565		
Director of People	**2024/25**	139,991	18,063	4	24,218	182,277		
	2023/24	134,129	17,255	4	23,204	174,592		
Assistant Director for HR, OD & Engagement	**2024/25**	110,414	13,617	0	19,143	143,174		
	2023/24	100,423	12,603	0	17,373	130,399		
Total	**2024/25**	**1,129,944**	**145,196**	**594**	**174,301**	**1,450,036**		
	2023/24	1,205,380	152,559	308	205,117	1,563,363		

25. Termination benefits and exit packages

This discloses both exit packages for employees who have left the County Council in 2024/25 and any provisions for packages which have been agreed on or before the balance sheet date where the employee will leave at a future date. The cost includes redundancy costs, costs of pension added years and any other departure costs. Termination Benefits are charged in the year in which they are paid or on an accrual basis if appropriate.

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

2023/24 Total number of exit packages	2023/24 Total cost of exit packages	Exit package cost band (including redundancy, pension strain, and settlement payments)	2024/25 Total number of exit packages	2024/25 Total cost of exit packages
	£m			£m
85	0.6	£0 - £20,000	38	0.1
30	0.9	£20,001 - £40,000	10	0.3
7	0.3	£40,001 - £60,000	2	0.1
11	0.7	£60,001 - £80,000	0	0.0
5	0.4	£80,001 - £100,000	3	0.3
9	1.1	£100,001 - £150,000	1	0.1
2	0.3	£150,001 - £200,000	1	0.2
0	0.0	£200,001 - £250,000	0	0.0
2	0.6	£250,001 - £300,000	0	0.0
0	0.0	£300,001 - £350,000	0	0.0
0	0.0	£350,001 - £400,000	0	0.0
151	**5.0**	**Total Termination Packages**	**55**	**1.1**

26. Related parties

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

26.1 UK Central Government

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

26.2 Elected Members

Elected members of the County Council have direct control over the County Council's financial and operating policies. A total of £1.1 million allowances and expenses were paid to members in 2024/25 (2023/24 £1.0 million). Elected members of the County Council may be involved with other local organisations that provide services for or receive services from the County Council. Transactions for these organisations have been reviewed and there are no related party disclosures to be made for elected members.

26.3 Officers

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

26.4 Section 75 Framework Partnership Agreements

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

26.5 Worcestershire County Council Pension Fund

At the year-end the County Council charged the Pension Fund £2.4 million (2023/24 £2.8 million) for expenses incurred in administering the Pension Fund. Further details are given in the Defined Benefit Pension Scheme notes.

26.6 West Mercia Energy Joint Committee

The County Council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the County Council is one of four constituent authorities, alongside Shropshire Council, Herefordshire Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into group accounts because it is not considered to be material. The County Council spent £4.3 million with WME in 2024/25 (2023/24 £4.6 million), and this is reflected in the Comprehensive Income and Expenditure Statement.

26.7 Place Partnership Limited

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

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

26.8 Severn Arts

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

The company commenced on 1st June 2018, after a transfer of service provision and assets from the County Council. As part of the transfer, the County Council loaned Severn Arts £0.4 million, which was to be paid back in monthly instalments over 7 years with 4.78% interest per annum. The outstanding loan balance of £0.3 million at 31 March 2024 was written off during 2024/25 and the closing balance as at 31 March 2025 is nil.

26.9 Worcestershire Children First

Worcestershire Children First is a Private Limited Company by Guarantee without share capital and is 100% owned and controlled by Worcestershire County Council. The company was incorporated on 4th July 2018 and commenced trading on 1st October 2019. The company was principally engaged in the provision of social care and educational services for children and families across Worcestershire. At 1st October 2024, at the natural end of the initial five year service contract, the company effectively ceased operations and staff and services were transferred back into Worcestershire County Council.

At balance sheet date, WCC's interest in WCF is considered to be limited to the retained earnings on WCF's balance sheet (£1.1 million). Group accounts have not been prepared because the County Council's interest in the subsidiary is assessed to be non-material.

In 2024/25, the County Council spent £72.9 million (2023/24 £148.2 million) on services from the company and received £3.4 million (2023/24 £8.3 million) in income from the provision of support services. This is reflected in the single entity Comprehensive Income and Expenditure Statement. There is a debtor of £8.1 million (2023/24 £4.1 million) and a creditor of £5.1 million (2023/24 £3.3 million) outstanding at 31 March 2025 and these balances are included in the single entity Balance Sheet.

As at 31 March 2025, the company's Board consists of 2 Directors who are employed by the County Council.

26.10 Tickenhill Trust

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

27. Leases

27.1 The County Council as lessee

27.1.1 Right-of-use assets

Accounting treatment for leases has been updated based on the requirements of the accounting standard IFRS16 – Leases which has been implemented as at 1st April 2024.

Where the County Council leases in assets, the leased asset (unless exempt) is recognised as a right-of-use asset with a corresponding liability at the date from which the leased asset is made available for use (or the IFRS16 transition date, if later).

As permitted by the Code, the County Council excludes exempt leases that are:

- Of low value items that cost less than £5,000 when new, or
- Short-term, meaning a term of 12 months or shorter (or ending within 12 months of IFRS16 implementation date.

The council’s right-of-use assets are summarised in the table below:

2024/25	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Total Property, Plant & Equipment	Heritage Assets	Total Right-of-use assets
	£m	£m	£m	£m		£m
At 31 March 2024	**0.9**	**0.0**	**0.0**	**0.9**	**0.0**	**0.9**
1st April IFRS16 Non-Commercial Leases Initial Recognition	1.8	0.0	0.5	2.3	0.2	2.5
1st April 2024 IFRS16 Commercial Leases Initial Recognition	6.2	0.1	0.0	6.3	0.0	6.3
Additions	0.0	0.1	0.0	0.1	0.4	0.5
Revaluations	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(0.7)	(0.0)	(0.0)	(0.7)	(0.1)	(0.8)
Derecognition	(2.0)	0.0	0.0	(2.0)	0.0	(2.0)
At 31 March 2025	**6.2**	**0.1**	**0.5**	**6.8**	**0.5**	**7.2**

27.1.2 Maturity analysis of lease liabilities

The County Council's outstanding obligations under lease agreements as at 31 March 2025 totalled £8.1 million (31 March 2024 £8.4 million). The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments).

2023/24		2024/25
£m		**£m**
1.0	Less than one year	1.1
3.2	One to five years	3.3
4.2	More than five years	3.7
8.4	**Total undiscounted liabilities**	**8.1**

27.1.3 Transactions under leases

Expenditure in the Comprehensive Income and Expenditure Statement associated with right-of-use assets includes interest, depreciation, any impairments or changes in variable lease payments.

Rentals for exempt leases of low-value items or short-term leases are expensed.

Transactions under leases were not material in 2024/25.

27.2 The County Council as lessor

Where an asset is leased by the County Council to a third party as a finance lease the asset is written out of the Balance Sheet as a disposal. A debtor is recognised for any future lease payments receivable.

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

27.2.1 Maturity analysis of lease receivables

The County Council's outstanding receivable income under lease arrangements as at 31 March 2025 totalled £6.8 million (31 March 2024 £6.6 million). The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2023/24		2024/25
£m		**£m**
1.8	Less than one year	1.5
3.2	One to five years	3.5
1.6	More than five years	1.9
6.6	**Total undiscounted receivables**	**6.8**

27.2.2 Net investment in finance leases

Net investment in finance leases were not material in 2024/25.

27.2.3 Transactions under leases

Transactions under leases were not material in 2024/25.

28. External audit costs

2023/24		2024/25
£m		**£m**
0.3	Fees payable regarding external audit services	0.4
0.0	Fees incurred for certification work undertaken by the external auditor	0.0
0.3	**Total current year fees**	**0.4**
	Fees Relating to prior years	
0.1	Fees payable regarding external audit services	0.0
0.0	Expected additional fees for external audit services	0.0
0.0	Fees incurred for certification work undertaken by the external auditor	0.0
0.1	**Total prior year fees**	**0.0**
0.4	**Total external audit fees**	**0.4**

This note shows all external audit fees which were recorded on the ledger in 2024/25. Anticipated fees for 2024/25 were £350,000 and were accrued on that basis. Finalised fees for prior year audit costs were £206,185 of which £47,200 was recorded in 2024/25 expenditure.

29. Short term investments

31 March 2024		31 March 2025
£m		**£m**
0.8	Short term investments	0.7
0.8	**Total**	**0.7**

30. Provisions

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

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

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

31 March 2024		31 March 2025	Not later than one year	Later than one year and not later than five years	Later than five years	Total Provision
£m		£m	£m	£m	£m	£m
(1.4)	Provision for NNDR Appeals	(1.3)	(1.3)	(0.0)	(0.0)	(1.3)
(0.9)	Other Provisions	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(2.3)	**Total**	**(1.3)**	**(1.3)**	**(0.0)**	**(0.0)**	**(1.3)**

NNDR Appeals

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

Other Provisions

At 31 March 2024, other provisions included under this heading were made in consideration of likely outflow of economic benefits in respect of loan write-offs and contract disputes. In 2024/25, the balance of these provisions was reviewed, and these were released back into revenue.

31. Events after the reporting period

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

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

The financial statements have not been adjusted for the following events which took place after 31 March 2025; they provide information relevant to the County Council's financial position but do not relate to conditions existing at that date.

Non-adjusting events

There have been no non-adjusting events to disclose.

Academy Conversions

At the date of publication of the accounts, 1 school has converted to academy status since 31 March 2025. Schools which convert after the reporting period are non-adjusting events and are reported below for information.

Name of School	Date of Conversion	Asset value at 31 March 2025
		£m
Church Lench CofE First School	01/04/2025	0.0

32. Accounting standards issued but not yet adopted

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

The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023

The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.:

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

IFRS 17 Insurance Contracts issued in May 2017

IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

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

IAS 16 Property, Plant and Equipment & IAS 38 Intangible Assets

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment in standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8.

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

33. Prior Period Adjustments

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Change in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively. Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Whilst there have been no material changes to prior period figures in the preparation of these financial statements, we have made the following changes in presentation.

Comprehensive Income and Expenditure Statement

Prior Year entries for ‘Commercial and Change’ and ‘Finance, HR and Chief Executive’ directorates have been combined into one row ‘Chief Executive and Corporate Functions’ to reflect and to aid comparison with the new County Council organisational structure

Balance Sheet, Creditors (Note 20) and Debtors (Note 18)

Some codes with small balances have been reclassified in 2025/26 from Short-term Borrowing to Short-term Debtors or Creditors. This has led to small adjustments in the opening balances for these lines in the balance sheet and totals within the Creditor and Debtor notes

Grant and Contribution income (Note 6)

Within the Grant and Contribution income note, small grants are often combined into one row for conciseness. We have reviewed the groupings for 2024/25, and this has led to small restatements of prior year figures where small grants have been grouped or ungrouped.

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

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

The items in the Balance Sheet at 31 March 2025 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant & equipment - valuations	The County Council's external valuers provide valuations at 31 March based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.	Valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions is limited. The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure the value of the County Council's assets are not materially misstated. A variation of 5% in the value of the County Council's Land & Building assets (Net Book Value at 31 March 2025 of £449.6 million) would be approximately £22.5 million. A variation of 5% in the value of the County Council's Energy from Waste asset, included in Vehicles, Plant, Furniture & Equipment, (Net Book Value at 31 March 2025 of £95.0 million) would be approximately £4.7 million. A variation of 5% in the value of the County Council's Surplus assets (Net Book Value at 31 March 2025 of £51.8 million) would be approximately £2.6 million. A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the Comprehensive Income and Expenditure Statement and/or increase to the Revaluation Reserve and/or gains charged to the Comprehensive Income and Expenditure Statement.
Pension Liability/Asset	The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of actuaries (Hymans	The effect on the net pension liability (£2.4 million at 31 March 2025) of changes in individual assumptions can be measured. For instance:

Item	Uncertainties	Effect if actual results differ from assumptions
	Robertson) is engaged to provide the County Council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	• An increase of 0.1% in the discount rate assumption would increase the value of the net pension liability by approximately £16.6 million. • An increase of 0.1% in the pension increase rate assumption would decrease the value of the net pension liability by approximately £16.7 million. • An increase of 0.1% in the assumed pay assumption would increase the value of the net pension liability by approximately £0.4 million. • An increase of one year assumed in life expectancy would increase the value of the net pension liability by approximately £40.5 million. Further information is included in the Defined Benefit Pension Scheme notes.
Credit Loss Allowances	The value of outstanding debtors in the accounts is reduced by an allowance for nonrecovery of debts, based on the experience that it is not economic or possible to recover all debt. The County Council operates a policy of making an allowance for debt secured by legal charge against property, where checks have provided a high degree of certainty that the debt will be recoverable.	The current (balance sheet date) amount of provision for irrecoverable debts is £10.6m. This reduces the debtor's figure on the balance sheet. Any debt deemed as irrecoverable over and above this allowance will be charged to service expenditure. Each 1% increase in the level of bad debt requiring write off will give an additional cost of £0.106 million.
Provision for NNDR appeals	The value of National Non Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions, including backdating. Estimates have been calculated by billing authorities, using information from the Valuation Office on outstanding appeals and experience of successful appeal rates. The County Council's provision is based on its share of the income lost on successful appeals.	Each 1% increase in the value of appeals that is provided for would give an additional cost of £0.015 million.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurement	When the fair value of financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques: • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the Balance Sheet date; • For Level 3 inputs, valuations based on most recent valuations adjusted using indexation and impairment review as appropriate.	Where the fair value of financial instruments is measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the Balance Sheet date. All valuations are undertaken by expert valuers in accordance with methodologies and bases for estimation set out in the professional standards. As most estimates are based on current market information, material changes to the carrying values are not expected. Significant changes in any of the unobservable inputs could results in a significantly lower or higher fair value measurement for these assets.

35. Pension Schemes

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

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

35.1 Defined benefit pension schemes

Teachers' Pension Scheme

The Teachers' Pension Scheme is a defined benefit scheme administered by the Teachers' Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate.

In 2024/25 the County Council paid £16.6 million (2023/24 £16.6m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 23.7% (2023/24 23.7%) of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to teachers' added years it has awarded, together with the related increases. In 2024/25 these amounted to £0.2 million (2023/24 £0.2m), representing 0.3% (2023/24 0.3%) of pensionable pay. The County Council's Actuary has calculated a long-term liability of £1.52 million in respect of these payments that will decline over time, and this is included in the balance sheet under other long-term liabilities.

NHS Pension Scheme

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

In 2024/25 the County Council paid £0.0 million (2023/24 £0.1m) to the NHS Superannuation Scheme, which represents 14.4% (2023/24 14.4%) of NHS pensionable pay.

Defined benefit pension schemes

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

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

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

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

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

The three principal risks to the scheme are:

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

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

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

35.2 Transactions relating to post-employment benefits

The County Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge against the council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2023/24		**2024/25**
£m		**£m**
	Comprehensive Income & Expenditure Statement	
	Cost of services:	
24.8	Current service cost	23.4
0.0	Current service cost – McCloud judgement	0.0

2023/24		2024/25
0.1	Past service cost	0.8
0.5	Settlements and curtailments	1.2
	Other Operating Expenses	
0.6	Administration expenses	0.6
	Financing & investment income & expenditure	
53.5	Interest on Pensions Liabilities	55.7
(56.4)	Interest on Pensions Assets	(62.2)
0.0	Interest effect on asset ceiling	6.6
23.1	**Total post-employment benefit charged to the surplus or deficit on the Provision of Services**	**26.1**
	Re-measurement of the net defined liability charged to the Comprehensive Income & Expenditure Statement	
(34.2)	Adjust for prior-year impact of IFRIC 14 consideration	136.2
(68.6)	Return on Plan assets (excluding the amount included in net interest expense)	(38.8)
10.1	Actuarial (gain)/loss arising on changes in experience	10.7
(20.3)	Actuarial (gain)/loss arising on changes in financial assumptions	(173.1)
(18.2)	Actuarial (gain)/loss arising on changes in demographic assumptions	(2.0)
0.1	Increase/(Decrease) in Teacher's Pension Liability	0.1
136.2	Adjustment for impact of IFRIC 14 consideration	289.1
28.2	**Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement**	**25.5**
	Movement in Reserves Statement	

2023/24		2024/25
(23.1)	Reversal of net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code of Practice	(25.6)
	Actual amount charged against the General Fund Balance for pensions in the year:	
25.1	Employer's contributions payable to the scheme	25.3

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

2023/24		2024/25
£m		**£m**
68.6	Return on Plan Assets (excluding the amount included in net interest expense)	(38.8)
(10.1)	Actuarial gain/(loss) arising on changes in experience	10.7
20.3	Actuarial gain/(loss) arising from changes in financial assumptions	173.1
18.2	Actuarial gain/(loss) arising on changes in demographic assumptions	2.0
34.2	Adjustment for prior-year impact of IFRIC 14 consideration	136.2
0.0	Interest effect on asset ceiling	6.6
(136.2)	Adjustment for impact of IFRIC 14 consideration	(289.1)
(0.1)	(Increase)/decrease in Teachers Pension Liability	(0.1)
(5.1)	**Total gain/(loss)**	**0.6**

35.4 Pension assets and liabilities recognised in the Balance Sheet

2023/24		2024/25
£m		£m
(1,160.8)	Present value of liabilities	(1,012.3)
1,157.1	Fair value of assets (following adjustment for IFRIC 14)	1,009.9
(2.7)	**(Deficit)/Surplus in the scheme**	**(2.4)**

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

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

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

Reconciliation of present value of the scheme liabilities:

2023/24		2024/25
£m		£m
(1,144.7)	Opening balance at 1 April	(1,160.8)
(24.8)	Current service cost	(23.4)
(53.5)	Interest cost	(55.7)
(9.1)	Contributions by scheme participants	(9.0)
	Remeasurement (gains) and losses:	
(10.1)	Actuarial gain/(loss) arising on changes in experience	10.7
20.3	Actuarial gain/(loss) arising on changes in financial assumptions	173.1
18.2	Actuarial gain/(loss) arising on changes in demographic assumptions	2.0

2023/24		2024/25
41.6	Benefits paid	42.8
0.0	Business combinations	0.0
(0.1)	Past service cost – McCloud Judgement	(0.8)
0.0	Curtailments	0.0
1.4	Settlements	8.4
(1,160.8)	**Closing balance at 31 March**	**(1.012.3)**

Reconciliation of fair value of the scheme assets:

2023/24		2024/25
£m		**£m**
1,144.7	**Opening balance at 1 April**	**1,158.1**
34.2	Adjust for impact of prior-year IFRIC 14 considerations	136.2
56.4	Interest Income	62.2
68.6	Return on plan assets, excluding the amount included in the net interest expense	(38.8)
(0.6)	Administration expenses	(0.6)
25.1	Employer contributions	25.3
0.0	Business combinations	0.0
9.1	Contributions by scheme participants	9.0
(41.3)	Benefits paid	(42.8)
(1.9)	Settlements	(9.6)
(136.2)	IFRIC 14 Adjustment	(289.1)
1,158.1	**Closing balance 31 March**	**1,009.9**

35.6 Pensions Reserve

2023/24		2024/25
£m		**£m**
(1.7)	**Balance at 1 April**	**(4.4)**
34.2	Adjust for impact of prior-year IFRIC 14 consideration	136.2
68.6	Return on Plan assets (excluding the amount included in net interest expense)	(38.8)
(10.1)	Actuarial gain/(loss) arising on changes in experience	10.7
20.3	Actuarial gain/(loss) arising on changes in financial assumptions	173.1
(136.2)	Adjustment for impact of IFRIC 14	(289.1)
18.2	Actuarial gain/(loss) arising on changes in demographic assumptions	6.6
0.0	Business combinations	2.0
(23.1)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(26.1)
25.1	Employer’s pensions contributions & direct payments to pensioners payable in the year	25.3
0.0	Employer’s pension contributions – prepayment adjustment	0.0
0.3	Unfunded Benefits Paid	0.3
(0.1)	Decrease in Teachers Pension Liability	0.2
(4.4)	**Balance at 31 March**	**(3.9)**

35.7 Local Government Pension Scheme assets

2023/24		Quoted	2024/25
£m		(Y/N)	£m
	Equities:		
714.8	UK Quoted	Y	717.4
0.0	Overseas quoted	Y	0.0
0.0	Pooled Investment Vehicle – UK Managed Funds	N	0.0
0.0	Pooled Investment Vehicle – UK Managed Funds – (overseas equities)	N	0.0
138.9	Pooled Investment Vehicle – Overseas Managed Funds	N	0.0
0.0	Equities - Other	N	139.4
	Bonds:		
0.0	UK Corporate	-	0.0
0.0	Overseas Corporate	-	0.0
40.8	Other Bonds	Y	41.0
35.5	UK Government Fixed	Y	35.7
0.0	LGPS Central Global Pooled Funds	Y/N	0.0
0.0	Overseas Government	-	0.0
	Property:		
0.0	European Property Fund	N	0.0
0.0	UK Property Debt	N	0.0
0.0	Overseas Property Debt	N	0.0
71.2	UK Property Fund	N	71.5
30.1	Overseas REITS	N	30.2
	Alternatives:		
217.6	UK Infrastructure	N	218.4
0.0	European Infrastructure	N	0.0

2023/24		Quoted	2024/25
0.0	US Infrastructure	N	0.0
0.0	US Stock Options	N	0.0
0.0	Overseas Stock Options	N	0.0
0.0	Corporate Private Debt	N	0.0
23.5	Other	N	23.6
	Cash:		
0.0	Cash Instruments	N	0.0
0.0	Cash Accounts	N	0.0
21.3	Net Current Assets	N	21.4
1,294.3	**Total**		**1,299.1**

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

35.8 Basis for estimating assets and liabilities

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

2023/24		2024/25
	Mortality assumptions	
	Longevity at 65 for current pensioners (years):	
21.3	Men	21.2
23.6	Women	23.6
	Longevity at 65 for future pensioners (years):	
22.6	Men	22.5
25.5	Women	25.4
	Financial assumptions	
2.8%	Rate of CPI inflation	2.8%
4.3%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.8%
4.9%	Rate for discounting scheme liabilities	5.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

35.9 Assumptions made about the future and estimate uncertainties

Item	Uncertainties	Effect if actual results differ from assumptions
Property and infrastructure valuations (Level 3 investments)	The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of geopolitical issues upon these illiquid assets as well as the concerns as to the current inflationary environment. The valuations have been updated based on the information available as at 31 March 2024 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date	The total value of indirect property investments in the financial statements is £101.7m (£331.3m in 2023/24). There is a risk that this investment may be under or overstated in the accounts. The total value of direct infrastructure investments in the financial statements is £218.4m (£561.1m in 2023/24). There is a significant risk of valuation updates resulting in a material adjustment in the carrying amount within the next financial year.

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

	Increase in rate of	Increase/(decrease) in Assumption
		£m
Discount Rate	0.1%	(16.6)
Pension Increase Rate	0.1%	16.7
Pay	0.1%	0.4
Life Expectancy	1 year	40.5

35.11 Impact on the County Council's cash flows

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2023/24 17 years). The County Council anticipates payments of £25.0 million expected contributions to the scheme in 2025/26.

Glossary of Terms

Accounting policies	The principles, rules and procedures used in the preparation of the accounts
Accruals	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid
Actuary	An independent company which advises on the assets and liabilities of the pension fund with the aim of ensuring that the payment of pensions and future benefits are met.
Admitted bodies	Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme, subject to certain terms and conditions, and other organisations to which Local Government employees have been transferred under the outsourcing of local government services
Agent	The County Council or other authority acting as an intermediary
Amortisation	The drop-in value of intangible assets as they become out of date
Asset	A resource controlled by the County Council because of past events and from which economic benefits or service potential is expected. Assets can be: • Intangible – assets of non-physical form, e.g. patents, goodwill, trademarks and copyrights • Property, plant and equipment – assets which give the County Council benefits for more than one year • Community – assets held in perpetuity which may have restrictions on their disposal • Infrastructure – assets such as highways and footways • Non-operational – assets not directly used for service provision • Heritage – assets held solely for historical, artistic, or environmental qualities
Assets under construction	Capital expenditure on assets where the work is incomplete
Augmentation	Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age
Billing authority	The local authority which collects council tax. In Worcestershire this is the district or borough council
Capital charge	A charge to services to reflect the cost of Property, Plant and Equipment used in the provision of services

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

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

PPE (Property, Plant & Equipment)	For the purposes of the Statement of Accounts, the County Council's property, plant & equipment is abbreviated to PPE.
Precept	The amount the County Council (the precepting authority) ask district and borough councils to collect as council tax.
Private Finance Initiative (PFI)	A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance
Provisions	Monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts
Public Works Loan Board (PWLB)	A government agency which provides long-term loans to local authorities at favourable interest rates
Reserves	Money set aside to meet the cost of specific future expenditure. These can be either: • Usable – those which can be used to provide services • Unusable – those which cannot be used to provide services
Revenue contributions to capital expenditure	The amount of capital expenditure to be financed directly from the annual revenue budget
Revenue Support Grant (RSG)	A general central government grant paid to the County Council in support of annual revenue expenditure
Scheduled bodies	Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund
Settlement costs	Settlement costs arise when a lump-sum payment is made to a scheme member in exchange for their rights to receive certain pension benefits
Stock lending	The temporary transfer of stock (shares/securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal of greater value than the loaned securities
Transfer values	Sums which are either paid to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme

Worcestershire Pension Fund

Statement of Accounts 2024/25

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Worcestershire Pension Fund (the Fund) Financial Statements 2024/25

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

About the Accounts

BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Explanatory Foreword and a Review of the Year 2024/25

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

The Fund Account

Details the money received and spent within the Pension Fund during 2024/25.

Net Assets Statement

Statement showing the Fund's financial position at 31 March 2025.

Notes to the Fund Accounts

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

Statement of Accounting Policies

These are shown against the relevant note.

The accounts have been prepared on a going concern basis.

1. Explanatory Foreword and a Review of the Year 2024/25

Foreword by the Chief Financial Officer

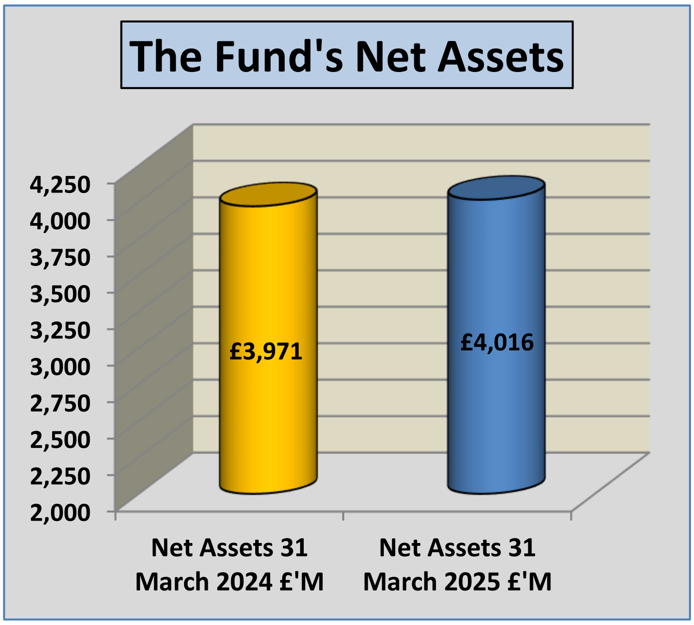
Welcome to the Fund's 2024/25 Statement of Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also administer the LGPS for members of other organisations which have made admission agreements with the Fund and designated bodies who have passed resolutions with Worcestershire County Council.

Table 1 Aim and Purpose of the Fund

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

Key headlines

- The chart on the right shows that the value of the Fund's net assets increased by £44.9 million from £3,971.3 million at 31 March 2024 to £4,016.2 million at 31 March 2025.
- Income from contributions increased to £137.5 million, from £133.3 million, due to additional members and employers joining the Fund during 2024/25.
- Net investment returns were £91.2 million compared to £398.8 million for 2023/24 which was mainly due to challenging market and geopolitical conditions witnessed during 2024 and early 2025.



- Contributions from staff and employers were less than the benefits paid as well as administration and management expenses in 2024/25 by £24.7 million. This was expected due to an increase in members and an increase in benefits paid to those selecting to receive lump sum payments.
- The chart on the right shows that during the year a surplus resulted on the Fund Account (aside from the net investments returns) totalling £8 million, a decrease of £7 million from the 2023/24 surplus of £15 million reflecting the challenging investment landscape witnessed during 2024 and early 2025.

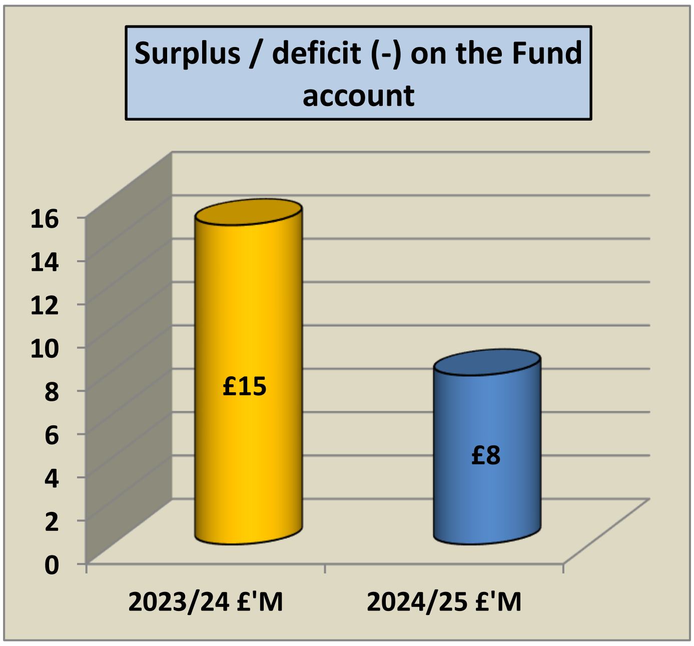


Table 2 analysis of changes within the Fund's membership profile

	31 March 2024	31 March 2025	Change	Change %
Contributors to the Fund	23,449	23,472	23	0.1
Pensions paid	21,861	22,819	958	4.4
Deferred members	24,285	24,519	234	1.0
	69,595	**70,810**	**1,215**	**1.7**

Table 2 above shows that the scheme membership has continued to grow. Active employer numbers have increased from 69,595 to 70,810 during 2024/25, due to the continuation of enrolment initiatives and an increase in the number of designated employers. Given the administrative challenges presented by this continued growth, the Fund regularly reviews its systems and processes and importantly, the way it engages with, and receives data from scheme employers.

Pensions Administration

The fund has been working tirelessly towards making our members experience the easiest and most efficient experience possible. The successful implementation of the self-service portal has seen over 40% of our active membership register since its inception last year. This year will see the Annual Benefit Statements (ABS), for those not opting out of electronic communication, be delivered via the online portal. This will also include new functionality such as Video ABS which will give a personalised video walk through of members individual ABS. This functionality demonstrates the efforts being made to support members understanding to enable increased financial planning.

In addition to the above the Fund have rolled out I-Connect monthly data submission for our scheme employers which means that information is delivered more efficiently from the employer directly into the pensions administration system. The benefits mean that our data quality is enhanced due to additional verification checks upon submission alongside benefits being able to be processed more efficiently by the administration team ensuring benefit calculations can be delivered more effectively.

The team have also been re-working our internal processes to utilise system automation so that where unnecessary manual handling is removed to improve efficiency and remove stress upon resources. This has been a successful implementation with the focus on all deliverables with a reportable key performance indicator (KPI) being made a priority. The plan being that all areas with KPI's, as set out in the pensions administration strategy and below, will have new re-engineered workflow processes by the end of 2025/2026.

Training and engagement have been a big focus for all stakeholders including more training webinars than ever before being conducted for scheme employers and scheme members. Additional training has been implemented for committee and board members, aligning with recommendations within good governance proposals and supporting the view of the Pensions Regulator, specifically the code of practice. Governance policies have been reviewed and improved upon by ensuring a clear library of documents and consistently being revised and approved annually at Pensions Committee. This further demonstrates the hard work being completed by the Fund in respect of 'Good Governance'.

Staff development has been at the forefront of what we have been providing over the last year. Multiple officers have undertaken professional pensions qualifications, and the team have included three new apprentices when recruiting to vacancies. The fund has a low staff turnover demonstrating that our commitment to providing development has aided the retention of staff.

Activity/Process	**Target turnaround (Working days)**	**2023/24 average turnaround (Working days)**	**2024/2025 average turnaround (Working days)**
Joiners' notification of date of joining	40	20	13
Process and Pay Refund	10	6	4
Calculate and notify deferred benefits	30	5	4
Letter notifying actual retirement benefits	15	2	2
Letter notifying amount of dependants' benefits	10	3	2
Letter acknowledging death of a member	5	2	1
Letter detailing CETV for Divorce	45	6	2
Letter notifying estimate of retirement benefits	15	2	2
Letter detailing transfer in quote	10	16	7
Process and pay lump sum retirement grant	23	13	10
Letter detailing transfer out quote	10	10	2
Letter detailing PSO implementation	15	9	2

	2023/24	2024/25
Total Number of staff FTE	42.0	40.5
Admin Cost per member*	£37.85	£39.06

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

In addition to the above business as usual work, being delivered more efficiently than the previous year, there have been a number of key 'projects' being completed, of which have statutory deadlines in place for delivery, including McCloud remedy and Pensions Dashboard implementation. The team have made great progress against meeting these deadlines due in 2025 including implementing McCloud remedy/rectification work against identified cases and implementing stage 1 of connecting to the dashboard ecosystem, namely progressing the ISP implementation.

Governance

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

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

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

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

Management of the Fund's assets

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

The Fund's asset allocation is kept under regular review and the current long-term investment allocation includes investments in a wide variety of UK and overseas companies, corporate bonds, corporate private debt, property, and infrastructure. A strategic asset allocation review (SAAR) took place during 2022/23 and was endorsed by the Pensions Committee in March 2023. The following recommendations arising from that review continued to be progressed during 2024/25:

- Increase the Fund's passive market allocation by 5% to the US and reduce the UK allocation by 5%.
- Allocate up to 5% of the Funds Strategic asset allocation (SAA) to Private Equity (PE), steadily over a period of time.

- Procure a segregated Equity Protection strategy mandate so that it is available to the Fund as and when required.
- Continue to explore opportunities to deploy capital in alternative assets with an income focus to ensure that a continued long term cashflow solution is in place.

The following new commitments have been made during the 2024/25 financial year:

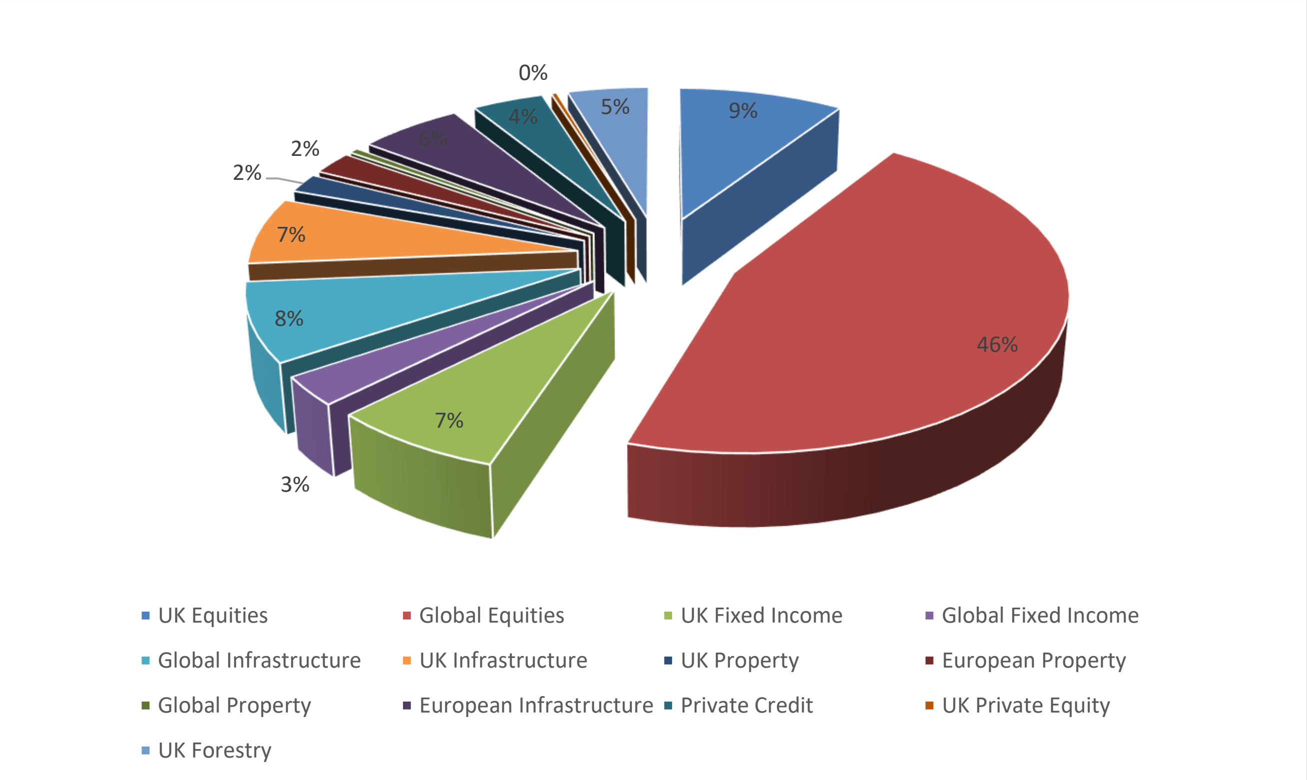
- Stonepeak Infrastructure Fund V: $95m.
- Gresham House British Sustainable Infrastructure Fund III: £35m.

At 31 March 2024 the Fund was also finalising a commitment of £85m to the Bridgepoint Direct Lending Fund IV.

Given conditions in equity markets throughout 2024 and in early 2025, the Fund took the opportunity to procure a shaped equity protection vehicle during 2024/25.

The following chart details the distribution of the Fund's assets as at 31 March 2025:

Chart 3 Distribution of the Fund’s Assets

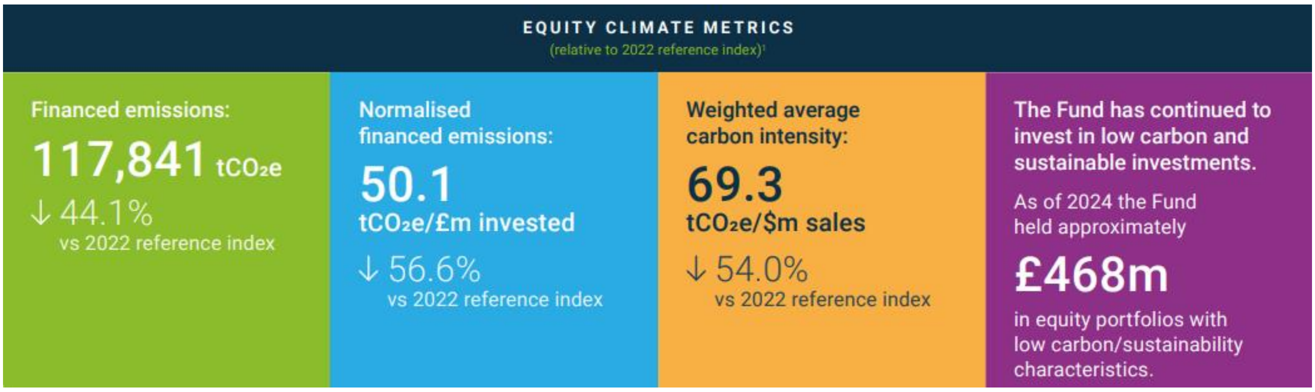


Environmental, Social & Governance (ESG) & Responsible Investment (RI)

The Fund has continually looked to develop and improve its approach to RI and conducted an ESG audit last year which included mapping the Fund’s entire portfolio to the United Nations’ sustainable development goals (SDGs). The Fund conducted its fifth annual ESG workshop for its Pension Board and Pensions Committee on 5 February 2025 to review progress against the identified actions and was found to have made very pleasing headway.

In January 2025 the Fund’s fifth annual Climate Risk Management Report delivered a view of the climate risk of the Fund’s entire equity asset portfolio, accompanied by proposed actions the Fund could take to manage and reduce that risk. The results were used in the Fund’s public-facing Climate Related Financial Disclosures for the fifth year.

The Fund was particularly pleased to see that previous focus on transitioning out of our passive mandates with the greatest carbon footprint has continued the progress made in its listed market portfolio. The Fund's achievements are summarised in the diagram below:



During the 2024/25 financial year, the Fund increased its existing commitment to British infrastructure by a further £35m and made a further allocation to UK Gilts, taking the Fund's UK investments to approximately 32% of its total portfolio. Whilst the Fund has maintained its commitment to several sustainable infrastructure and housing investments, it continues to actively look at ways of investing which will have a long term environmental and social impact.

Impact of Global Financial Market Volatility and Geopolitical Landscape

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

LGPS Central Limited (LGPSC)

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

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

LGPSC has been in operation just over 6 years and the Fund has, by market value at 31 March 2025, approximately 64% of its assets in LGPSC's Global Corporate Bonds Fund, Buy & Maintain UK Gilts Fund, Single Asset Infrastructure Fund, Global All World Equity Climate Multi Factor Fund, Global Sustainable active equities and stewardship & oversight of the Fund's passive equity mandate managed by Legal & General Investment Management.

Management of the Fund's liabilities

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

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

Given that the challenging macroeconomic and geopolitical landscapes encountered during 2022 and 2023 remain pertinent, it is pleasing that as at 31 March 2025 the Fund's assets of £4,016 million represented approximately 123% of the present value of promised retirement benefits of £3,261 million.

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

Phil Rook

Chief Financial Officer

31 May 2025

2. Fund Account (money received and spent during 2024/25)

For the year ended 31 March 2025

2023/24			2024/25
£m		Notes	£m
	Dealings with members, employers		
	and others directly involved with the Fund		
133.3	Contributions	4	137.5
15.2	Transfers in from other pension funds	5	13.4
148.5			**150.9**
(137.8)	Benefits	6	(157.8)
(25.1)	Payments to and on account of leavers	7	(17.8)
(162.9)			**(175.6)**
(14.4)	**Net additions/(withdrawals) from dealings with members**		**(24.7)**
(2.6)	Administrative expenses	8	**(2.8)**
(19.1)	Management expenses	9	**(18.8)**
(36.1)	**Net additions/(withdrawals) including fund management and administrative expenses**		**(21.6)**
	Returns on investments		
51.1	Investment income	10	54.6
(0.2)	Taxes on income	11	(0.6)
347.9	Profit and (losses) on disposal of investments and Changes in the market value of investments	12a & 15b	37.2
398.8	**Net return/(loss) on investments**		**91.2**
362.7	**Net increase in the net assets available for benefits during the year**		**44.9**
3,608.6	**Opening net assets**		**3,971.3**
3,971.3	**Closing net assets**		**4,016.2**

3. Net Assets Statement for the year ended 31 March 2025 (showing the financial position at 31 March 2024 and 2025)

2023/24		Notes	2024/25
£m			£m
1.4	Long term Investment Assets	12	1.4
2,999.8	Investment Assets - Internally Managed	12 &15	1,541.2
901.3	Investment Assets - LGPSC Managed	12 &15	2,472.6
9.1	Cash Deposits	12	11.6
3,911.6			**4,026.8**
0.0	Investment Liabilities	12	(66.6)
58.7	Current Assets	17	70.4
6.2	Non-Current Assets	18	1.6
(5.2)	Current Liabilities	19	(16.0)
3,971.3	**Net assets of the Fund available to fund benefits at the period end**		**4,016.2**

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

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

i) **Market-quoted investments** the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) **Fixed interest securities** fixed interest securities are recorded at net market value based on their current yields.

iii) **Unquoted investments** the fair value of investments for which market quotations are not readily available is determined as follows:

   a. **Valuations of delisted securities** are based on the last sale price prior to delisting, or were subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

   b. **Securities subject to takeover offer** – the value of the consideration offered under the offer, less estimated realisation costs.

   c. **Directly held investments** include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

d. **Investments in unquoted property and infrastructure funds** are valued at the net asset value or a single price advised by the fund manager.

e. **Investments in unquoted listed partnerships** are valued based on the Fund's share of the net assets in the limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines, updated at December 2022.*

iv) **Limited partnerships** fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) **Equities** are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of equities that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Financial Liabilities

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

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

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

NOTE 1: Description of Fund

General

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

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

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

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

Membership

Organisations participating in the Fund include the following:

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

Membership details are set out below:

	31 March 2024	31 March 2025	Diff
Number of active employers	199	202	3
Employee Members of the Fund			
County Council	7,616	7,042	(574)
Other Employers	15,833	16,430	597
Total	**23,449**	**23,472**	**23**

	31 March 2024	31 March 2025	Diff
Pensioner Members of the Fund			
County Council	6,777	7,185	408
Other Employers	15,084	15,634	550
Total	**21,861**	**22,819**	**958**
Deferred Members of the Fund			
County Council	9,285	9,272	(13)
Other Employers	15,000	15,247	247
Total	**24,285**	**24,519**	**234**
Total Number of Members in the Fund	**69,595**	**70,810**	**1,215**

The increase in member numbers from 31 March 2024 is mainly due to an increase in pensioner and deferred members.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by employee members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending March 2025. Employee contributions are in addition to employer contributions which are set based on actuarial valuations. The last valuation conducted was at 31 March 2022. The common employer contribution rate for the Fund is 18.8%.

Pension Benefits

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

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

Actuarial present value of promised retirement benefits

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

NOTE 2: Funding Arrangements and Actuarial Present Value of Promised Retirement Benefits

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2024. In summary, the key funding objectives are as follows:

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

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

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,585 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £23 million. Each employer had contribution requirements set at the valuation. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

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

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

**Aged 45 at the 2022 Valuation.*

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

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time and a revised version will come into effect from 1 April 2026.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Worcestershire Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members (£m)	1,229	1,366
Deferred members (£m)	729	868
Pensioners (£m)	1,303	1,489
Total (£m)	**3,261**	**3,723**

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to

31 March 2025 is to decrease the actuarial present value by £576m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £8m.

Financial assumptions

Year ended	31 March 2025	31 March 2024
	% p.a.	% p.a.
Pension Increase Rate	2.75%	2.75%
Salary Increase Rate	4.25%	4.25%
Discount Rate	5.80%	4.85%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	25.4 years

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

Sensitivity Analysis

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

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	56
1 year increase in member life expectancy	4%	130
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI Inflation	2%	54

Professional notes

This paper accompanies the ‘Accounting Covering Report – 31 March 2025’ which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Jamie Baxter FFA C. Act

09 May 2025

For and on behalf of Hymans Robertson LLP

NOTE 3: Events after the Reporting Date

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

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

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

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

NOTE 4: Contributions Receivable

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

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

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

		2023/24	2024/25
By Category		**£m**	**£m**
Employers			
	Normal contributions	87.6	94.9
	Deficit recovery contributions	10.2	6.5
	Augmentation contributions	5.0	4.6
	Additional contributions	0.0	0.0
Employees			
	Normal contributions	30.1	31.2
	Additional contributions	0.4	0.3
		133.3	**137.5**

	2023/24	2024/25
By authority:	**£m**	**£m**
Worcestershire County Council	28.0	31.7
Scheduled bodies	94.9	93.8
Admitted bodies	9.4	11.0
Designated bodies	1.0	1.0
	133.3	**137.5**

The increase in contributions in 2024/25 was due to an increase in membership of the Fund driven by additional employers and continued efforts to promote employee enrolment.

NOTE 5: Transfers in and from Other Pension Funds

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

	2023/24	2024/25
	£m	£m
Individual transfers	15.2	13.4
Bulk transfers	0.0	0.0
	15.2	**13.4**

NOTE 6: Benefits Payable

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

By category:	2023/24	2024/25
	£m	£m
Pensions	111.8	123.5
Commutations and lump sum retirement benefits	23.4	30.5
Lump sum death benefits	2.6	3.8
	137.8	**157.8**

By authority:	2023/24	2024/25
	£m	£m
Worcestershire County Council	47.5	53.4
Scheduled bodies	73.7	86.0
Admitted bodies	15.8	17.5
Designated bodies	0.8	0.9
	137.8	**157.8**

NOTE 7: Payments to and on Account of Leavers

	2023/24	2024/25
	£m	**£m**
Individual transfers	13.4	17.8
Group transfers	11.7	0.0
	25.1	**17.8**

At 31 March 2025 there were no potential liabilities in respect of individuals transferring out of the Fund upon whom the Fund is awaiting final decisions.

NOTE 8: Administrative Expenses

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

	2023/24	2024/25
	£m	**£m**
Employee expenses	1.7	1.7
Support services	0.1	0.2
Actuarial services	0.4	0.4
Other expenses	0.4	0.5
	2.6	**2.8**

The audit fee (included in support services above) for work completed by the Fund's external auditors for the year ended 31 March 2025 was £97,161 (31 March 2024: £96,721 in total), 3.5% (31 March 2024: 3.7%) of total admin costs.

NOTE 9: Management Expenses

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

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

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

	2023/24	2024/25
	£m	£m
Oversight and Governance	0.2	0.1
LGPSC*	0.8	1.0
Investment Management Expenses		
Administration, management, and custody fees	17.2	17.4
Other expenses	0.9	0.3
	19.1	**18.8**

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

NOTE 9A: Investment Management Expenses

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

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

2024/25	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
LGPS Central (Bonds)	0.2	0.7	0.0	**0.9**
LGPS Central (Emerging Markets)	0.9	0.0	0.0	**0.9**
LGPS Central (Global Climate Fund)	0.1	1.1	0.0	**1.2**
LGPS Central (Global Targeted Fund)	0.3	0.1	0.0	**0.4**
LGPS Central (Global Thematic Fund)	0.4	0.1	0.0	**0.5**
LGPS Central UK Gilt Fund	0.0	0.0	0.0	**0.0**
LGPS Central JPM Infrastructure Fund	0.6	0.0	0.0	**0.6**
Nomura Asset Management UK Ltd	0.5	0.3	0.0	**0.8**
Legal & General Investment Management	0.5	0.0	0.0	**0.5**
Macquarie	0.8	0.0	0.0	**0.8**
Hermes	0.7	0.0	0.0	**0.7**
Invesco	0.7	0.0	0.0	**0.7**
VENN	0.7	0.0	0.0	**0.7**
Walton Street	0.2	0.0	0.0	**0.2**
AEW	0.1	0.0	0.0	**0.1**
Stonepeak	(0.3)	0.0	0.0	**(0.3)**
Igneo (was First Sentier)	0.3	0.0	0.0	**0.3**
Bridgepoint (was EQT)	2.8	0.0	0.0	**2.8**
Gresham Forestry	0.1	0.0	0.0	**0.1**
Gresham (BSIF)	4.5	0.0	0.0	**4.5**
Gresham (Private Equity)	0.7	0.0	0.0	**0.7**
Closed Mandates & one-off advisory fees	0.2	0.0	0.0	**0.2**
Subtotal	**15.0**	**2.3**	**0.0**	**17.3**
Custody Fees				0.1
Total Fees				**17.4**

2023/24	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
LGPS Central (Bonds)	0.2	0.7	0.0	**0.9**
LGPS Central (Emerging Markets)	1.1	0.8	0.0	**1.9**
LGPS Central (Global Climate Fund)	0.1	(0.4)	0.0	**(0.3)**
LGPS Central (Global Targeted Fund)	0.3	0.2	0.0	**0.5**
LGPS Central (Global Thematic Fund)	0.4	0.1	0.0	**0.5**
Nomura Asset Management UK Ltd	0.4	0.2	0.0	**0.6**
Legal & General Investment Management	0.4	0.0	0.0	**0.4**
Green Investment Bank	0.6	0.0	0.0	**0.6**
Hermes	0.3	0.0	0.0	**0.3**
Invesco	0.8	0.0	0.0	**0.8**
VENN	1.2	0.0	0.0	**1.2**
Walton Street	0.2	0.0	0.0	**0.2**
AEW	0.1	0.0	0.0	**0.1**
Stonepeak	1.4	0.0	0.0	**1.4**
Igneo (was First Sentier)	0.4	0.0	0.0	**0.4**
Bridgepoint (was EQT)	4.7	0.0	0.0	**4.7**
River and Mercantile	0.0	0.0	0.0	**0.0**
Gresham Forestry	0.7	0.0	0.0	**0.7**
Gresham Forest Fund VI	0.0	0.0	0.0	**0.0**
Gresham (BSIF)	0.0	0.0	0.0	**0.0**
Gresham (BSIF II)	1.3	0.0	0.0	**1.3**
Closed Mandates & one-off advisory fees	0.9	0.0	0.0	**0.9**
Subtotal	**15.5**	**1.6**	**0.0**	**17.1**
Custody Fees				0.1
Total Fees			**0.0**	**17.2**

The £17.3m investment management expenses incurred in 2024/25 represent 0.43% or 43 basis points (bps) of the market value of the Fund's assets as at 31 March 2025 (0.43% or 43bps as 31 March 2024).

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

The Fund has applied CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Costs', which requires external investment management fees and transaction costs to be deducted from asset values (rather than invoiced and paid directly). These are shown gross: the application of the guidance increases management expenses from £11.2 million to £17.3 million for 2024/25 (£11.3 million to £17.1 million for 2023/24). It is important to note that the application of the guidance does not represent an actual increase in costs, or a decrease in the Fund's resources to pay pension benefits.

NOTE 10: Investment Income

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

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

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

	2023/24	**2024/25**
	£m	**£m**
Fixed interest securities	0.0	2.2
Equity dividends	7.3	8.8
Property & Infrastructure investments	39.8	39.4
Interest on cash deposits	4.0	4.2
Securities lending	0.0	0.0
	51.1	**54.6**

NOTE 11: Taxes on Income

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

	2023/24	2024/25
	£m	£m
Withholding tax – equities	(0.2)	(0.6)
	(0.2)	**(0.6)**

NOTE 12: Investments

	Market value 31 March 2024	Market Value 31 March 2025
	£m	£m
Long term Investment Assets		
LGPS Central shares	1.4	1.4
LGPS Central Managed		
LGPSC Managed Equities Active	220.3	211.0
LGPSC Managed Equities Passive	247.4	257.0
LGPSC Managed Fixed Income	375.0	351.7
LGPSC Managed Infrastructure	60.0	64.4
LGPS Central Oversight & Stewardship		
LGPSC O&S Equities Passive	1,590.4	1,588.5
WPF Managed		
Fixed Interest	0.0	0.0
Equities Active	394.3	380.9
Property Investments	331.3	339.3
Infrastructure Investments	561.1	604.8
Private Debt Investments	115.1	134.2
Private Equity	1.6	10.3
Derivatives - Futures	0.0	66.8
Derivatives - Forward FX	0.0	0.0
Cash	9.1	11.6
Other Investment balances	4.6	4.9
Amounts Receivable for sales	0.0	0.0
Total investment assets	**3,911.6**	**4,026.8**
Investment liabilities		
Derivatives - futures	(0.0)	(66.6)
Derivatives - forward FX	(0.0)	(0.0)
Amounts payable for purchases	(0.0)	0.0
Total investment liabilities	**(0.0)**	**(66.6)**
Net investment assets	**3,911.6**	**3,960.2**

NOTE 12A: Reconciliation of Movements in Investments and Derivatives

	Market value 31 March 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2025
	£m	£m	£m	£m	£m
Long-term Investment Assets					
LGPS Central - AFIM	0.0	0.0	0.0	0.0	0.0
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	**0.0**	**0.0**	**0.0**	**1.4**
LGPS Central Managed					
LGPSC Managed Equities Active	220.3	0.0	(0.7)	(8.6)	211.0
LGPSC Managed Equities Passive	247.4	0.0	(1.3)	10.9	257.0
LGPSC Managed Fixed Income	375.0	3.6	(26.8)	(0.1)	351.7
LGPSC Managed Infrastructure	60.0	0.0	(0.6)	5.0	64.4
	904.1	**3.6**	**(29.4)**	**7.2**	**885.5**
LGPSC Oversight & Stewardship					
LGPSC O&S Equities Passive	**1,590.4**	**158.7**	**(243.9)**	**83.3**	**1,588.5**
WPF Managed					
Fixed interest	0.0	0.0	0.0	0.0	**0.0**
Equities Active	394.3	144.8	(139.9)	(18.3)	**380.9**
Property Investments	331.3	55.0	(36.1)	(10.9)	**339.3**
Infrastructure Investments	561.1	80.2	(29.8)	(6.7)	**604.8**
Private Debt Investments	115.1	42.0	(22.8)	(0.1)	**134.2**
Private Equity	1.6	10.5	(0.6)	(1.2)	**10.3**
	3,897.9	**494.8**	**(502.5)**	**53.3**	**3,943.5**
Derivative Contracts					
Derivatives - Futures	0.0	30.2	(14.5)	(15.5)	**0.2**
Derivatives – Forward FX	0.0	0.0	0.0	0.0	**0.0**
	3,897.9	**525.0**	**(517.0)**	**37.8**	**3,943.7**
Other Investment Balances					
Cash Deposits	9.1			(0.6)	11.6
Outstanding dividend entitlements and recoverable withholding tax	4.6				4.9

	Market value 31 March 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2025
	£m	£m	£m	£m	£m
Amount receivable for sales of investments	0.0				0.0
Amounts payable for purchases of investments	0.0				0.0
Net investment assets	**3,911.6**			**37.2**	**3,960.2**

Prior year comparators

	Market value 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2024
	£m	£m	£m	£m	£m
Long-term Investment Assets					
LGPS Central - AFIM	0.0	0.0	0.0	0.0	0.0
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	**0.0**	**0.0**	**0.0**	**1.4**
LGPS Central Managed					
LGPSC Managed Equities Active	501.4	0.0	(307.0)	25.9	220.3
LGPSC Managed Equities Passive	208.2	0.0	0.4	38.8	247.4
LGPSC Managed Fixed Income	184.0	174.6	(0.8)	17.2	375.0
LGPSC Managed Infrastructure	0.0	60.0	0.0	0.0	60.0
	895.0	**234.6**	**(307.4)**	**81.9**	**904.1**
LGPSC Oversight & Stewardship					
LGPSC O&S Equities Passive	**1,367.8**	**30.4**	**(48.4)**	**240.6**	**1,590.4**
WPF Managed					
Fixed interest	0	0	0	0	**0**
Equities Active	354.5	129.3	(122.1)	32.6	**394.3**
Property Investments	323.6	57.2	(33.0)	(16.5)	**331.3**
Infrastructure Investments	511.8	116.2	(74.3)	7.4	**561.1**
Private Debt Investments	92.3	37.5	(16.3)	1.6	**115.1**
Private Equity	0	1.7	(0.8)	0.7	**1.6**
	3,545.0	**606.9**	**(602.3)**	**348.3**	**3,897.9**

	Market value 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2024
	£m	£m	£m	£m	£m
Derivative Contracts					
Derivatives - Futures	0	0	0	0	**0**
Derivatives – Forward FX	0	0	0	0	**0**
	3,545.0	**606.9**	**(602.3)**	**348.3**	**3,897.9**
Other Investment Balances					
Cash Deposits	8.7			(0.4)	9.1
Outstanding dividend entitlements and recoverable withholding tax	3.7				4.6
Amount receivable for sales of investments	0.3				0.0
Amounts payable for purchases of investments	(0.3)				0.0
Net investment assets	**3,557.4**			**347.9**	**3,911.6**

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

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

Transaction costs incurred during the 2024/25 year amounted to £2.3 million, (2023/24: £1.6 million). These transaction costs represent 0.05% or 5bps of the market value of the Fund's assets as at 31 March 2025 (4bps at 31 March 2024).

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

NOTE 12B: Investments Analysed by Fund Manager

Note: Excluding outstanding dividend entitlements

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

External Fund Manager	2023/24		2024/25	
	£m	%	£m	%
LGPS Central Managed				
Emerging Markets	0	0	0.0	0
All World Climate Factor Equities	247.4	6	257.1	7
Global Sustainable Active Equities	220.3	6	211.0	5
LGPSC Managed Equities	467.7	12	468.1	12
Corporate Bonds	199.7	5	209.5	5
UK gilts	175.5	4	142.6	4
LGPSC Managed Fixed Income	375.2	9	352.1	9
LGPSC Single Asset Infrastructure Fund	60.0	2	64.4	2
LGPSC Managed Infrastructure	60.0	2	64.4	2
LGPS Central Oversight & Stewardship				
Legal & General Asset Management	1,590.4	41	1,588.5	40
LGPSC O&S Equities Passive	1,590.4	41	1,588.5	40
External Fund Manager				
Nomura Asset Management UK Ltd	394.1	10	382.0	10
Macquarie	39.4	1	35.1	1
Hermes Fund I and II	75.1	2	71.2	2
Invesco (Euro and a UK Property Fund)	106.9	3	103.6	3
ESR I & II	19.6	1	22.1	1
Walton Street I & II	12.1	0	17.3	0
AEW	18.0	0	16.6	0
Stonepeak III & IV	182.4	5	172.7	4
Igneo II & III	162.6	4	195.3	5
Bridgepoint II & III	115.1	3	134.1	3
WCC Managed Account	9.2	0	10.2	0
Gresham House Private Equity Release	1.6	0	10.3	0
Novum Investment Management	0.0	0	0.2	0
Gresham House BSIF I II & III	130.5	3	158.0	4
Gresham House Forest Growth & Sustainability	74.4	2	74.2	2
Gresham House Forest Fund VI	71.3	2	77.9	2
	3,905.6	**100**	**3,953.9**	**100**

The above excludes £1.4m (2023/24: £1.4m) Invested in LGPSC and £4.9m (2023/24: £4.6m) of investment income due.

The following investments represent more than 5% of the net assets of the Fund:

	Market value 31 March 2024	% of total Fund	Market value 31 March 2025	% of total Fund
Security	**£m**		**£m**	
LGIM – UK Equity Index Pooled Fund	614.9	15.8	483.9	12.2
LGIM - Client Specific unitised Fund -STAJ	464.5	11.9	441.9	11.2
LGIM – North America Index Pooled Fund	263.6	6.8	432.6	10.9
LGPS Central All World Equity Climate Factor Fund	247.4	6.3	257.1	6.5
LGIM – Europe (ex-UK) Index Pooled Fund	246.3	6.3	229.1	5.8
LGPS Central Global Active Investment Grade Corporate Bond Fund	199.7	5.1	209.5	5.3

NOTE 12C: Stock Lending

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

The total amount of stock lent at the year-end was £14.4 million (2023/24: £9.6 million). Counterparty risk is managed through holding collateral at the Fund's custodian bank. The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £15.2 million (2023/24: £10.0 million) representing 105.3% of stock lent.

Income received from stock lending activities was £0.01 million for the year ending 31 March 2025 (2023/24: £0.01 million). This is included within the 'Investment Income' figure detailed on the Fund Account.

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

NOTE 13A: Analysis of derivatives

During the year ending 31 March 2025, The Fund used derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund did not hold derivatives for speculative purposes.

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

Objectives and Policies for Holding Derivatives

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

Futures

The Fund's investment managers hold cash balances to ensure efficient and timely trading when opportunities arise. The Fund's management did not want this cash to be 'out of the market' and so enabled several investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements. The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

Forward Foreign Currency

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

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

Futures

Outstanding exchange traded futures contracts are as follows:

ASSETS		Economic Exposure	Market Value 31 March 2024	Economic Exposure	Market Value 31 March 2025
Type of future	**Expiration**	**£m**	**£m**	**£m**	**£m**
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	29.7
US S+P exchange traded option	Under one year	0.0	0.0	0.0	37.1
Overseas exchanged traded	under one year	0.0	0.0	0.0	0.0
Total assets			**0.0**		**66.8**

LIABILITIES		Economic Exposure Value	Market Value 31 March 2024	Economic Exposure Value	Market Value 31 March 2025
Type of future	**Expiration**	**£m**	**£m**	**£m**	**£m**
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	(31.5)
US S+P 500 exchange traded option	Under one year	0.0	0.0	0.0	(35.1)
Overseas exchanged traded	Under one year	0.0	0.0	0.0	0.0
Total liabilities			**(0.0)**		**(66.6)**
Net futures			**(0.0)**		**0.2**

Open Forward Currency Contracts as at 31 March 2025

Settlement	Currency Bought	Local Currency Value	Currency Sold	Local Currency Value	Asset Value	Liability Value
		£m		**£m**	**£m**	**£m**
One to Six Months	USD	(0.2)	JPY	0.2	0.0	0.0
One to Six Months	JPY	(0.1)	USD	0.1	0.0	0.0
					0.0	**(0.0)**
Net forward currency contracts at 31 March 2025						0.0
<u>Prior year comparative:</u>						
Open forward currency contracts at 31 March 2024					**0.0**	**0.0**
Net forward currency contracts at 31 March 2024						**0.0**

Analysis of Cash

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

	2023/24	2024/25
Cash	**£m**	**£m**
Cash deposits	5.4	5.5
Cash instruments	3.7	6.1
	9.1	**11.6**

NOTE 14: Fair Value

NOTE 14A: Basis of Valuation

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

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

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

NOTE 14B: Fair Value Hierarchy

Level 1

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

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

Level 2

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

Level 3

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

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

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

Values at 31 March 2025	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	1,147.1	1,713.8	1,152.9	4,013.8
Total financial assets	**1,147.1**	**1,713.8**	**1,152.9**	**4,013.8**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	(66.6)	0.0	(66.6)
Total financial liabilities	**0.0**	**(66.6)**	**0.0**	**(66.6)**
Net financial assets	**1,147.1**	**1,647.2**	**1,152.9**	**3,947.2**

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

NOTE 14C: Sensitivity of Assets Valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described in Note 14a are likely to be accurate to within the following ranges. This sets out below the consequent potential impact on the closing value of investments held at 31 March 2025.

Sensitivity Analysis	Valuation range	Value as at 31 March 2025	Valuation Increase	Valuation Decrease
	+/- %	£m	£m	£m
Property Investments	15.2	339.3	390.9	287.7
Infrastructure Investments	14.5	669.2	766.2	572.2
Private Debt Investments	7.6	134.1	144.3	123.9
Private Equity	26.6	10.3	13.0	7.6
Total		**1,152.9**	**1,314.4**	**991.4**

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

Reconciliation of Fair Value Measurements within Level 3

Investment Movement	Property Funds	Infrastructure Funds	Private Debt Funds	Private Equity Funds	Total
	£m	£m	£m	£m	£m
Market Value 1st April 2024	**331.3**	**621.1**	**115.1**	**1.6**	**1,069.1**
Transfers into Level 3	0.0	0.0	0.0	0.0	**0.0**
Transfers out of Level 3	(0.0)	(0.0)	(0.0)	(0.0)	**(0.0)**
Purchases and derivative pymts	55.0	80.2	42.0	10.5	**187.7**
Sales and derivative receipts	(36.1)	(30.4)	(22.9)	(0.6)	**(90.0)**
Unrealised gains/(losses)	(10.0)	1.0	(1.0)	(1.2)	**(11.2)**
Realised gains/(losses)	(0.9)	(2.7)	0.9	0.0	**(2.7)**
Market value 31 March 2025	**339.3**	**669.2**	**134.1**	**10.3**	**1,152.9**

NOTE 15: Financial Instruments

NOTE 15A: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

Fair value through profit and loss 2023/24	Financial Instruments at Amortised Cost 2023/24		Fair value through profit and loss 2024/25	Financial Instruments at Amortised Cost 2024/25
£m	£m		£m	£m
		Financial assets		
	1.4	Other share capital		1.4
		LGPS Central Managed		
220.3		LGPSC Managed Equities Active	211.0	
247.4		LGPSC Managed Equities Passive	257.0	
375.0		LGPSC Managed Fixed Income	351.7	
60.0		LGPSC Managed Infrastructure	64.4	
		LGPS Central Oversight & Stewardship		
1,590.4		LGPSC O&S Equities	1,588.5	
		WPF Managed		
0.0		Fixed Interest	0.0	
394.3		Equities Active	380.9	
331.3		Property Investments	339.3	
561.1		Infrastructure Investments	604.8	
115.1		Private Debt Investments	134.2	
1.6		Private Equity	10.3	
0.0		Derivatives - Futures	66.8	
0.0		Derivatives - Forward FX	0.0	
	58.2	Cash		64.8
4.6		Other Investment Balances	4.9	
	9.6	Current Assets		17.1
	6.2	Non-Current Assets		1.7
3,901.1	**75.4**		**4,013.8**	**85.0**
		Financial liabilities		

Fair value through profit and loss 2023/24	Financial Instruments at Amortised Cost 2023/24		Fair value through profit and loss 2024/25	Financial Instruments at Amortised Cost 2024/25
£m	£m		£m	£m
0.0		Derivatives - Futures	(66.6)	
0.0		Derivatives - Forward FX	(0.0)	
0.0		Other Investment Balances	0.0	
	(5.2)	Current Liabilities		(16.0)
0.0	**(5.2)**		**(66.6)**	**(16.0)**
3,901.1	**70.2**		**3,947.2**	**69.0**

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

NOTE 15B: Net Gains and Losses on Financial Instruments

2023/24 £000		2024/25 £000
	Financial assets	
348.3	Fair value through profit and loss	53.3
(0.4)	Financial Instruments at Amortised Cost	(0.6)
	Financial liabilities	
0.0	Fair value through profit and loss	(15.5)
	Financial Instruments at Amortised Cost	
347.9	**Total**	**37.2**

NOTE 16: Nature and Extent of Risks Arising from Financial Instruments

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

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

i) The investment objective for the Fund is to:

   a. ensure that sufficient assets are available to meet liabilities as they fall due.

   b. maximise the return at an acceptable level of risk.

ii) Risk management is mostly concerned with:

   a. avoiding the possibility of loss, or

   b. limiting a deficiency in the underlying Fund, or

   c. avoiding a contribution rate increase in the future.

Market Risk

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

The objective of the Fund’s risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. There are three main types of market risk that the Fund is exposed to as at 31 March 2025:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

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

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

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

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

The Fund contracted Hymans Robertson LLP to measure the Fund's investment returns and the absolute and relative risk for each portfolio independently. The Fund received quarterly reports from Hymans Robertson LLP listing returns and risk. The Fund's independent investment adviser also provides an annual report to the Pension Investment Sub Committee, providing details of the Fund's risk and comparisons to other LGPS funds.

Equity Risk Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's actuary, Hymans Roberston LLP, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024/25 reporting period:

Asset Type	Potential Market Movements (+/-)
Cash and cash equivalents	0.3%
UK Government Bonds	4.2%
Global Corporate Bonds	5.4%
UK Equities	16.3%
Global Equities	18.6%
Property Investments	15.2%
Infrastructure Investments	14.5%
Private Debt Investments	7.6%
Private Equity	26.6%
Net Derivative Assets	0.3%
Investment Income Due	0.3%

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

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

Asset Type	Value as at 31 March 2025	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Cash and cash equivalents	11.6	0.3	11.6	11.6
Investment portfolio assets:				
UK Government Bonds	142.2	4.2	148.2	136.2
Global Corporate Bonds	209.5	5.4	220.8	198.2
UK Equities	508.0	16.3	590.8	425.2
Global Equities	1,929.5	18.6	2,288.4	1,570.6

Asset Type	Value as at 31 March 2025	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Property Investments	339.3	15.2	390.9	287.7
Infrastructure Investments	669.2	14.5	766.2	572.2
Private Debt Investments	134.1	7.6	144.3	123.9
Private Equity	10.3	26.6	13.0	7.6
Net Derivative Assets	0.2	0.3	0.2	0.2
Investment Income Due	4.9	0.3	4.9	4.9
Total	**3,958.8**		**4,579.3**	**3,338.3**

Prior-year comparators

Asset Type	Value as at 31 March 2024	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Cash and cash equivalents	9.1	0.3	9.1	9.1
Investment portfolio assets:				
UK Government Bonds	175.3	6.1	186.0	164.6
Global Corporate Bonds	199.7	5.4	210.6	188.8
UK Equities	619.2	16.0	718.3	520.1
Global Equities	1,833.2	16.7	2,139.3	1,527.1
Property Investments	331.3	15.6	383.0	279.6
Infrastructure Investments	621.1	13.6	705.3	536.9
Private Debt Investments	115.1	8.8	125.2	105.0
Private Equity	1.6	31.2	2.1	1.1
Net Derivative Assets	0.0	0.0	0.0	0.0
Investment Income Due	4.6	0.0	0.0	4.6
Total	**3,910.2**		**4,478.9**	**3,336.9**

Interest Rate Risk Analysis

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

Asset Type	Value as at 31 March 2024	Value as at 31 March 2025
	£m	£m
Cash and cash equivalents	9.1	11.6
Cash balances	49.1	53.2
Fixed interest securities	0.0	0.0
Total	**58.2**	**64.8**

Interest Rate Risk Sensitivity Analysis

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

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2043 of a +/- 100 basis points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2025	Change in year in the net assets available to pay benefits +100 BPS	Change in year in the net assets available to pay benefits -100BPS
	£m	£m	£m
Cash and cash equivalents	11.6	11.7	11.5
Cash balances	53.2	53.7	52.7
Fixed interest securities	0.0	0.0	0.0
Total change in assets available	**64.8**	**65.4**	**64.2**

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

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

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

The following table summarises the Fund's currency exposure:

Currency exposure - asset type	Asset value as at 31 March 2024	Asset value as at 31 March 2025
	£m	£m
Global Equities	1,794.2	1,909.4
Global Corporate Bonds	238.8	100.6
Private Debt	115.1	134.1
Property Investments	89.9	94.7
Infrastructure Investments	344.9	368.0
Total overseas assets	**2,582.9**	**2,606.8**

Global Corporate Bonds that are exposed to overseas currencies are 100% hedged to GBP as at 31 March 2025 by the investment manager and are therefore excluded from the currency sensitivity analysis below.

Currency Risk – Sensitivity Analysis

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

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

Asset Type	Potential Currency Exposure Movements (+/-)
Global Equities	9.1%
Private Debt	6.9%
Property Investments	7.3%
Infrastructure investments	8.0%

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

Currency exposure - asset type	Asset value as at 31 March 2025	Change to net assets available to pay benefits - Value on Increase	Change to net assets available to pay benefits - Value on Decrease
	£m	£m	£m
Global Equities	1,909.4	2,083.2	1,735.6
Global Corporate Bonds	100.6	100.6	100.6
Private Debt	134.1	143.4	124.8
Property Investments	94.7	101.6	87.8

Currency exposure - asset type	Asset value as at 31 March 2025	Change to net assets available to pay benefits - Value on Increase	Change to net assets available to pay benefits - Value on Decrease
	£m	£m	£m
Infrastructure Investments	368.0	397.4	338.6
Total change in assets available	**2,606.8**	**2,826.2**	**2,387.4**

Prior year comparators

Currency exposure - asset type	Asset value as at 31 March 2024	Change to net assets available to pay benefits - Value on Increase	Change to net assets available to pay benefits - Value on Decrease
	£m	£m	£m
Global Equities	1,794.2	1,979.0	1,609.4
Global Corporate Bonds	238.8	238.8	238.8
Private Debt	115.1	125.8	104.4
Property Investments	89.9	96.8	83.0
Infrastructure Investments	344.9	374.6	315.2
Total change in assets available	**2,582.9**	**2,815.0**	**2,350.8**

The table below displays a breakdown by currency. Please note that not all currencies which the Fund has exposure to are modelled individually. The table individually sets out those currencies which are modelled. The remaining currencies are included in the ‘Other’ row. This 9.1% volatility for ‘Other’ is the 1 year expected standard deviation for an individual currency at 31 March 2025. It assumes no diversification with other assets and, in particular, that interest rates remain constant.

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

Currency	Value £m	Allocation %	Volatility %
US Dollar	1,347.4	51.7%	9.2%
Euro	671.3	25.8%	6.9%
HK Dollar	11.7	0.4%	9.1%
Japanese Yen	237.9	9.1%	11.0%
Danish Krone	24.1	0.9%	6.9%
Swedish Krone	28.9	1.1%	8.6%
Swiss Franc	80.2	3.1%	8.6%
Other	205.3	7.9%	9.1%
Total	**2,606.8**	**100%**	**8.7%**

Credit Risk

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

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

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

The Fund's cash holding at 31 March 2025 was £64.8 million (31 March 2024: £58.2 million). This was held with the following institutions:

Summary	Rating	Balances as at 31 March 2024	Balances as at 31 March 2025
		£m	£m
Cash Instruments			
BNY Mellon US Dollar Liquidity Fund	AAA	3.7	5.5
Bank deposit accounts			
The Bank of New York Mellon	A-1+	5.4	6.1
Barclays Bank PLC – Notice Account	A-1	10.0	10.0
Bank current accounts			
Barclays Bank PLC	A-1	39.1	43.2
Total		**58.2**	**64.8**

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

Liquidity Risk

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

NOTE 17: Current Assets

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

	2023/24	2024/25
	£m	£m
Contributions due from employer in respect of:		
Employer	6.2	6.8
Members	2.1	2.3
Cash balances	49.1	53.2
Other Debtors	1.3	8.1
	58.7	**70.4**

NOTE 18: Non-Current Assets

	2023/24	2024/25
	£m	**£m**
*LGPSC capital advance treated as loan	0.7	0.7
**Reimbursement of lifetime tax allowances	0.9	0.9
Contributions from employers	1.0	0.0
Augmentation	3.6	0.0
	6.2	**1.6**

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

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

NOTE 19: Current Liabilities

	2023/24	2024/25
	£m	**£m**
Investment management expenses	(0.9)	(4.1)
Payroll and external vendors	(0.0)	(0.3)
Other expenses	(4.3)	(11.6)
	(5.2)	**(16.0)**

NOTE 20: Related Party Transactions

Worcestershire County Council

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

The County Council incurred costs of £2.4 million in 2024/2025 (2023/2024: £2.4 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The County Council is also the single largest employer of members of the Fund and contributed £31.7 million to the Fund in 2024/2025 (2023/2024: £28.0 million).

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

The Fund's share of LGPSC annual running costs of £1.0 million was charged to the Fund in 2024/2025 by LGPSC (£0.8 million in 2023/2024).

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

Key Management Personnel

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

	2023/24	2024/25
	£000	**£000**
Short term benefits*	206	220
Long term/ post-retirement benefits**	432	373
	638	**593**

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

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

Governance

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

NOTE 21: Contingent Liabilities

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

Outstanding capital commitments (investments) at 31 March 2025 totalled £291.4 million (31 March 2024: £289.6 million). Outstanding capital commitments are increased due to the further investments made and recallable capital returned during 2024.

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

NOTE 22: Contingent Assets

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

Contingent assets are not recognised in the financial statements but are disclosed as a note to the accounts. As at 31 March 2025 the Fund did not have any contingent assets.

NOTE 23: Additional Voluntary Contributions (AVCs)

The Fund provides an in-house AVC scheme for its members. During 2024/2025 some members of the Fund paid voluntary contributions and transfers to Scottish Widows and Utmost Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme employers to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

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

The amounts administered under AVC arrangements are as follows:

	2023/24	2024/25
	£m	£m
Contributions received	0.2	0.2
Investments purchased	0.0	0.0
Change in market value	0.0	0.0
Retirement benefits paid or transferred	(0.5)	(0.5)

The combined value of the AVC funds as at 31 March 2025 was £2.1 million (31 March 2024: £2.4 million).

NOTE 24: Agency Services

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

	2023/24	2024/25
	£m	**£m**
Payments on behalf of Herefordshire County Council	0.1	0.1
	0.1	**0.1**

NOTE 25: Critical Judgements in Applying Accounting Policies

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

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

NOTE 26: Assumptions Made About the Future and any Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The item in the notes to the accounts as at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 2)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • 0.1% real investment return lower than assumed would result in an 2% increase in the pension liability, which is equivalent to £56m. • a 0.1% increase in assumed earnings inflation would result in a 0% increase in the value of liabilities, which is equivalent to £1m. • a 0.1% increase in the rate of CPI inflation would result in a 2% increase in the value of liabilities, which is equivalent to £54m. • a 1-year increase in assumed life expectancy would result in a 4% increase in the value of liabilities, which is equivalent to £130m.

Item	Uncertainties	Effect if actual results differ from assumptions
Property and infrastructure valuations. (Level 3 investments)	The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of geopolitical issues upon these illiquid assets as well as the concerns as to the current inflationary environment. The valuations have been updated based on the information available as at 31 March 2025 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date.	The total value of indirect property investments in the financial statements is £339.3m (£331.3m in 2023/24). There is a risk that this investment may be immaterially under or overstated in the accounts. The total value of direct infrastructure investments in the financial statements is £669.2m (£621.1m in 2023/24). There is a risk that this investment may be immaterially under or overstated in the accounts.

VALUATION OF INVESTMENTS LEVEL 3

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

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