

Redditch Borough Council

Statement of Accounts for the year ended 31 March 2020



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Redditch Borough Council

Statement of Accounts for the year ended 31 March 2020

Contents

Note	Description	Page Number
	Narrative Report	3
	Annual Governance Statement and Statement on Responsibilities	16
The Core Financial Statements		
	Movement in Reserves Statement - RBC and Group	21
	Comprehensive Income and Expenditure Statement	22
	Comprehensive Income and Expenditure Statement - Group	23
	Redditch Borough Council Balance Sheet	24
	Group Balance Sheet	25
	Redditch Borough Council Cash Flow Statement	26
	Group Cash Flow Statement	27
Notes to the Core Financial Statements		
	1 Accounting Policies	29
	2 Accounting Standards that have been issued but have not yet been adopted	40
	3 Critical Judgements in applying accounting policies	39
	4 Assumptions made about the future and other major sources of estimation uncertainty	41
	5 Material items of income and expense	42
	6 Events after the reporting period	43
	7 Expenditure and Funding Analysis	44
	7a Note to the Expenditure and Funding Analysis	45
	7b Segmental Income and Expenditure	46
	8 Expenditure and Income analysed by Nature	47
	9 Adjustment between accounting basis and funding basis under regulations	49
	10 Movements in Earmarked Reserves	51
	11 Other Operating Expenditure	52
	12 Financing and Investment Income and Expenditure	52
	13 Taxation and Non-Specific Grant Income and Expenditure	52
	14 Property, Plant and Equipment	53
	15 Intangible Assets	57
	16 Financial Instruments	58
	17 Inventories	60
	18 Debtors	60
	19 Cash and Cash Equivalents	60
	20 Assets Held for Sale	61
	21 Creditors	61
	22 Provisions	62
	23 Group Accounts	63
	24 Usable Reserves	66
	25 Unusable Reserves	68
	26 Cash Flow statement - Operating Activities	71
	27 Cash Flow from Investing Activities	72
	28 Cash Flows from Financing Activities	72
	29 Reconciliation of Liabilities from Financial Activities	72
	30 Members Allowances	73
	31 External Audit Costs	73
	32 Employees Remuneration	74
	33 Grant Income	75
	34 Related Parties	76
	35 Capital Expenditure and Capital Financing	77
	36 Leases	78
	37 Defined Benefit Pension Schemes	79
	38 Contingent Liabilities	83
	39 Contingent Assets	83
	40 Nature and Extent of Risks Arising from Financial Instruments	84
Supplementary Statements		
	Housing Revenue Account	86
	Collection Fund	91
	Glossary	93

Redditch Borough Council

Financial Statements for the year ended 31 March 2020

Narrative Report

Narrative Report

Introduction

Redditch Borough Council's financial performance for the year ended 31 March 2020 is as set out in the Comprehensive Income & Expenditure Summary and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2019/20 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Redditch.

Overview

The Covid 19 pandemic has had a considerable impact on the Council. The Government lockdown, announced on 20th March 2020, forced local businesses to close and had a significant impact on the local economy. In turn this has had a major impact on the Council's income streams whilst providing services to our community comes with additional cost pressures.

The pandemic has not had a dramatic impact on the financial outturn for 2019-20 as the lockdown and impact came midway through March. The impact on Council finances will be felt during 2020-21, as the effect of lockdown and continuing efforts to support the community and local businesses is expected to stretch Council resources. The Council is expecting substantial losses across many of its income streams, including Commercial waste, planning fees and licensing fees.

It is difficult to quantify the impact of Covid 19 at this stage with any certainty, but the financial pressure on the Council will be substantial, even taking into account the Government's emergency funding. Because a substantial part of the Council's budget is reliant on fees and charges it will be exposed to the anticipated downturn in the local economy further pressuring budgets. The Council is currently working through the Income Compensation Scheme to ensure all eligible grants are claimed.

The Council has limited reserves in place which will help to mitigate some of the anticipated impact of the reduction in income on budgets. As the pandemic progresses, and the area enters the recovery phase, the Council will be reviewing its methods of working, the impact on the Council Plan and service delivery to ensure that maximum value is being achieved from reduced resources and as much support as possible is given to local businesses and residents.

The uncertainty caused by Covid has had an impact on the Councils ability to accurately value its property, plant and equipment. The valuer that the Council has used for the exercise this year has been unable to reflect the impact of the current pandemic on land and property values. All evidence that could be obtained reflects pre-pandemic levels and the Royal Institute of Chartered Surveyors (RICS) guidance on material uncertainty was used which is as follows:

"The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review."

As such the Council has used the valuations provided by its valuers but intends to review these when circumstances are more stable.

In addition to the pandemic, there is at present no agreement in place with regards to the UK leaving the EU. The end date for the transition period is 31 December 2020 which has the potential of being another economic shock. At present it isn't possible to quantify any potential impacts with regards to this as it is unclear if agreement will be reached or not at this point.

Despite these significant events and uncertainties, the Council is confident that it is a going concern and the accounts have been prepared on this basis. In making this assessment the Council has considered its current and projected positions against the regulatory and control environment applicable to the Council as a local authority. The Council has made significant improvements in its finances since last year when it was issued with a section 24 notice and is anticipating that this will not be issued again this year, reflecting the progress and improvements made by the Council with regards to its finances. This is demonstrated in the financial statements with the increase in reserves and further detail being given further on in the narrative statement. The Council is constantly reviewing its medium term financial plan in light of changes in the wider environment and will revise this as necessary.

Redditch has faced a difficult time with regards to financial funding arrangements, as funding received from the Government has reduced from £1,578k in 2015/16 to £946k in 2016/17 to £407k in 2017/18 and in 2018/19 it received £35k, In 2019/20 the Council received no Revenue Support Grant. The Council has sought to balance the budget through savings whilst attempting to protect the services that are most important to the community.

During 2019/20 the Council spent a significant amount of time reviewing expenditure and ensuring that it was absolutely necessary in light of the section 24 notice which it had been issued with. This work resulted in £1.3 million being put into reserves at year end which will help to ensure the sustainability of services moving forwards. Members have shown through approvals that have been made to enable the balanced budget for 20/21 that difficult decisions are now being made which was a concern previously raised as part of the S24 notice. This was a dramatic improvement on the prior years performance and places the Council in a strong position moving forwards to deal with the uncertainties caused by Covid. The Council is aware that there are still budget gaps forecast in future years, and that it will need to take action to close these forecast financial gaps moving forwards. With this in mind the Council is aware of the need for additional savings in future years, and a prudent approach to spending and a commercial outlook to attracting income has been and will continue to be adopted to manage this gap as well as robust financial planning to ensure the impacts of Covid are mitigated as much as is possible.

Savings were achieved in the Housing Revenue Account (HRA) which resulted in only £26k being drawn down from reserves to balance the budget for the year, which was a much better performance than had been anticipated when the budget was set. However there are still concerns around this as reserves are nearly at their minimum level, and it is anticipated that rent collection will be negatively impacted by Covid moving forwards as well as greater demands being placed on HRA services. This will need to be carefully managed moving forwards and a new 3 year budget is currently being developed to support the robust financial projections for the service delivery.

Rubicon Leisure Limited had a challenging year, with an overspend of £486k. This was largely due to services transferred to the company that were not as profitable as initially anticipated, together with the impact from the initial press around Covid impacting on the public willingness to attend facilities. This is discussed in greater detail in the strategic purpose "help me run a successful business" below.

Strategic Purposes

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers in order to understand what goes on in our communities and have considered how we work with partners to support the issues within those communities.

Taking into account what really matters to our residents we produced a set of six strategic purposes to guide us; they are based on customer demands and data and evidence about the needs of and issues affecting the people of Redditch Borough Council.



Strategic purpose: Help me run a successful business

How we achieve this:

- Nurture existing businesses and encourage a future generation of entrepreneurs
- Enhance the retail, leisure and residential offering within the district
- Positively promote Redditch as a place to live, work, invest and visit and encourage new inward investment
- Work with partners to improve the aspirations of our younger population and develop skills to meet the future demands of employers

Strategic purpose: Help me to be financially independent (including education and skills)

How we achieve this:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt

Strategic purpose: Help me to live my life independently (including health and activity)

How we achieve this:

- Understand and support the additional needs of our residents
- Promote independence and reduce social isolation
- Help people to have active bodies and active minds
- Strengthening and supporting families and individuals

Strategic purpose: Help me to find somewhere to live in my locality

How we achieve this:

- Support the development of appropriate and affordable housing in the Borough
- Raise housing standards and the quality of the local environment across the Borough
- Greater involvement and empowerment of tenants and residents in service delivery and reform
- Identify and support vulnerable people to prevent homelessness
- Build sustainable communities and neighbourhoods

Strategic purpose: Keep my place safe and looking good

How we achieve this:

- Participate in the creation of safe and well maintained places
- Demonstrate concern and care for the environments
- Create a sense of belonging and pride in our neighbourhoods

Strategic purpose: Provide good things for me to see, do and visit

How we achieve this:

- Help create flourishing town and district centres
- Support the provision of leisure opportunities for the whole Borough
- Provide well maintained community parks and green spaces
- Provide and support high quality, culturally diverse events and arts activities

Financial Outlook

The Medium Term Financial Plan 2020/21 to 2023/24 was approved by Council on 24th February 2020, this provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 4 years.

There continues to be considerable pressure facing the Council over the next 4 years as a result of a number of issues including:

- Budgetary pressures such as pay inflation, revised pay structure, increased contract costs, funding the capital Programme
- Potential further reductions in New Homes Bonus Grant
- Impact of the Localisation of Business Rates scheme which is now deferred to 2021/22
- Impact of the fair funding review which is due to be implemented in 2021/22
- Impact of Covid
- Impact of the United Kingdom leaving the European Union

The Council reviewed its strategic priorities whilst setting the budget, and has realigned its services into the following strategic purposes:

- Run and Grow a successful business
- Finding somewhere to live
- Aspiration, Work and Financial Independence
- Living independent, active and healthy lives
- Communities which are safe, well maintained and green

The new homes bonus for 2021/22 has been confirmed at £924k which is £494k more than the amount anticipated. This is due to the Government funding an additional year of New Homes Bonus than initially proposed. This is for one year only and will not attract future legacy payments.

In 2020/21 it is anticipated that there will be a reset of business rates. Since 2013/14 Redditch has been able to retain a proportion of the local business rate growth. The impact of the reset is uncertain as it will depend on the level of growth in Redditch compared with the national position. It is anticipated that an average growth would result in a neutral impact but further details are still to be received on this.

The fair funding review has been deferred until 2021/22. This will attempt to calculate the amount the Council needs to spend. It is important because the amount of tariff adjustment the Council will be required to pay to the Government will be based on this formula.

The main source of income continues to be Council tax and the Government continue to allow Councils to increase Council Tax by £5 without a referendum. In 2020/21 the Council tax increased from £239.15 to £244.15, £5.00 which is equal to the permitted increase.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2020/21 but need to address a shortfall in future years ranging from £352k in 2021/22 to £1,021k in 2023/24.

REDDITCH PROPOSED REVENUE BUDGET 2020/21 - 2023/24

	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
Departmental base budget	10,269	10,496	10,757	10,757
Incremental Progression/Inflation on Utilities	204	248	246	445
Unavoidable Pressures	220	220	227	234
Revenue Bids/Revenue impact of capital bids	95	45	45	45
Savings and Additional income	-727	-823	-937	-990
Reduction to pension deficit payments	-480	-403	-317	-255
Provision for Housing Benefits overpayments	120	120	120	120
Net Revenue Budget Requirement	9,701	9,903	10,141	10,355
FINANCING				
Reserve release	-50	0	0	0
Transfer to pension reserve	200	0	0	0
Transfer to Transformational Change reserve	100	0	0	0
Business Rates Net Position	-2,899	-2,940	-2,985	-2,985
Council Tax	-6,415	-6,617	-6,821	-7,008
New Homes Bonus	-924	-231	-209	0
Collection Fund Surplus (Council Tax)	-118	0	0	0
Parish Precept	8	8	8	8
Parish Precept income	-8	-8	-8	-8
Bad Debt Provision	50	50	50	50
Investment Income	-832	-899	-967	-1,035
MRP (Principal)	910	969	1,028	1,282
Interest payable	342	375	436	448
Recharge to Capital Programme	-38	-38	-38	-38
Discount on advanced pension payment	-110	-221	-331	-50
Funding Total	-9,784	-9,552	-9,837	-9,336
General Balances				
	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
Estimated opening balances 20/21 (projected)	957	1,039	687	382
Contribution (from) / to General Balances	82	-352	-305	-1,021
Agreed in year transfer to/from balances				
Closing Balances	1,039	687	382	-639

Governance

The minimum level of balances recommended is £750k. It is clear that further savings and/or additional income is required to ensure a balanced budget is approved each financial year.

Redditch Borough Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council has in place a Governance Framework which is detailed on page 16 and includes the following key elements:-

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors and Officers and the rules that must be followed.
- A transparent decision making process through Council, Executive, Planning Committee and Audit Governance & Standards Committee.
- Review and scrutiny of decisions through the Overview and Scrutiny Committee
- Behaving with integrity supported through a Code of Conduct
- Managing risk through the Corporate Management Team and Audit Governance & Standards Committee
- Clear strategic priorities linked to the needs of our communities and customers
- Regular performance management linked to strategic priorities and managed through a dashboard which is easily accessed and updated.
- Having robust and regular financial management
- Having good communication with Councillors, employees and the Community

The Council undertakes an annual review of its governance arrangements and this is summarised in the Annual Governance Statement on page 16.

Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is managed through the Corporate Management Team and Audit Governance & Standards Committee.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 44. The objective is to demonstrate to Council tax payers and housing rent payers how the funding available to the Authority (i.e. Government grants, Council tax, rents and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2019/20 is shown below:-

Strategic Purpose	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Actuals 2019/20 £'000	Variance 2019/20 £'000
Keep my place safe and looking good	4,044	3,788	3,649	-139
Help me run a successful business	560	132	619	486
Help me be financially independent	406	349	326	-22
Help me to live my life independently	134	58	42	-16
Help me find somewhere to live in my locality	859	656	582	-74
Provide Good things for me to see, do and visit	576	702	617	-85
Enable others to work/do what they need to do (to meet their purpose)	3,224	2,991	2,655	-336
Totals	9,804	8,677	8,490	-186
Corporate Financing	-9,804	-8,677	-8,893	-216
Grand Total	0	0	-403	-403

The actuals reported above are based on the management accounts for the authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure statement (CIES) and the expenditure and funding analysis (EFA).

As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

The main variances to budget in each strategic area are as below. Greater detail is available in the year end outturn report.

Keep my place safe and looking good

These budgets include those relating mainly to environmental services, planning, lifeline, CCTV and other activities to deliver against the purpose to ensure an area is a safe and attractive place for the community.

An overall saving of £139k against budget. the largest variances to budget were a shortfall in income received within Bereavement services resulting in a year end shortfall of £192k. There were significant salary savings in core waste due to vacancies, which resulted in savings of £197k.

Help me run a successful business

The budgets within the strategic purpose include economic development, all licenses and costs associated with the town and other Properties within the Borough.

This strategic purpose includes Rubicon Leisure, which was the main driver of the £586k overspend.

When Rubicon Leisure was established it was anticipated that the costs associated with the delivery of associated services would reduce by £480k, which was approximately 40% less than the previous subsidy for Leisure services. Initial projections were that savings of £260k would be made due to new services taking longer than originally anticipated to be delivered. Both Pitcheroak and Arrow Valley centre were taken over by Rubicon during the financial year but due to works that were required at Pitcheroak and the visitor footfall being below what was estimated the savings had not been delivered.

Unfortunately in early February a decline in attendance was seen at the centres and the theatre as the public became more aware of the Covid pandemic. Whilst the forced closure was not until the end of March the business had seen a significant fall in trade.

All saving and additional income that had been generated was lost during this period with a resulting saving of only £67k. Therefore the management fee had to increase by £413k to offset the shortfall. This will be reported to the Board and Shareholder Committee. Officers are currently working with Rubicon to ensure the services are opened where possible in a safe environment for customers at the end of July.

It is clear that with the closure of the facilities to the end of July will have a significant impact on the business and therefore on the Council. Whilst estimations have been made as to the potential financial impact of the closures these are to be reported to the Board and Shareholder Committee for consideration and action. The Council awaits any decision from Government around the funding that may be made available to support the Leisure services.

Help me be financially independent

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the Borough.

There was a £22k saving in this strategic purpose driven by vacancies.

Help me to live my life independently

There are a number of budgets relating to the delivery of the strategic purpose including; Lifeline and Community Transport.

There were some temporary salary vacancies resulting in a £17k saving.

Help me find somewhere to live in my locality

The costs associated with homelessness prevention, housing strategy and land charges are all included in this strategic purpose. It is worth noting that these costs solely relate to those charged to the General Fund not the Housing Revenue Account.

The variance shown in this strategic purpose is due to salary savings as a consequence of posts not being filled. It is anticipated that this will be addressed in the full housing review. In addition there was increased income from homes in multiple occupation.

Provide Good things for me to see, do and visit

The majority of budgets within this purpose relate to leisure and culture services.

£65k of the underspend was to do with temporary salary savings due to a change in service delivery in park and events.

Enable others to work/do what they need to do (to meet their purpose)

All support services and corporate overheads are held within the enabling purpose. These include; IT, HR, Finance, Management team and other support costs.

There have been a range of underspends driving the £36k saving against budget. The main ones were a £128k in property management due to staff vacancies, £177k underspend due to vacancies in CMT, Customer service support and legal and democratic services.

Corporate Financing

The £216k saving was driven by an improved return on investments of £59k and an additional business rate income which offset the contribution to reserves of £250k. The reserves position is outlined in note 10 of the Financial Statement.

Capital

Strategic Purpose	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Actuals 2019/20 £'000	Variance 2019/20 £'000
Keep my place safe and looking good	1,962	6,470	1,875	-4,595
Help me run a successful business	0	80	6	-74
Help me to live my life independently	860	1,623	736	-887
Provide Good things for me to see, do and visit	1,057	1,246	97	-1,149
Enable others to work/do what they need to do (to meet their purpose)	0	455	237	-218
Totals	3,879	9,874	2,951	-6,922

There have been significant underspends in capital during the course of the year. This has been due to delayed starts in projects and slower spend than anticipated. A review of the capital programme has taken place moving forwards to ensure a more accurate position and reduce potential future variances to budget

HRA capital 2019/20 was budgeted to spend £9.2M but spent £7.6M resulting in a £1.6M underspend.

Projects within the HRA form the basis of the 30 year capital plan and are currently moving forward inline with the plan. The plan is currently being reviewed to ensure the correct budgets are in place to meet the improvement plan targets. There are underspends on majority of capital projects. This is due to delays in consulting and working through priority projects. The request will be made to roll the underspend forward into 2020/21.

Housing Revenue Account (HRA)

Overall, the HRA revenue balances have reduced by £26k this was driven by increased expenditure. Expenditure on repairs and maintenance was higher than budgeted due to demand for ad hoc repairs and an increased number of voids requiring major works.

The Movement in Reserves Statement

This Statement, often referred to as MiRS shows movement in the year on the different reserves held by Redditch, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwelling rent setting purposes. The 'Net Increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by Redditch.

Comprehensive Income and Expenditure Statement

This statement, often referred to as the CIES, shows the expenditure and income in the year generated from providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services on the disposal of the asset.

The main changes to the Balance Sheet in 2019/20 are:-

Long Term Assets have increased from £338,432k to £351,488k and this mainly relates to revaluation of Council dwellings. The valuation of Council dwellings are based on the market value of the Council dwellings reduced by a social housing factor of 40% and the increase reflects house price increases with the social housing factor remaining unchanged.

During 2019/20 all short term borrowing has been repaid and there has been an increase in short term investments. This is mainly driven by an inflow of cash from recovery of business rate deficit (£5,014k) savings on business rate appeals 2019/20 (£1,650k), pension costs being recovered from the General Fund and HRA in 2019/20 having previously been paid in advance (£3,642k), early receipt of £1,272k Covid grant relating to 2020/21 and an increase in cash backed useable reserves of £2,084k. Note 5 provides more information.

Creditors and provisions have changed significantly. Creditors have increased by £6,646k from £7,385k in 2018/19 to £14,031k in 2019/20 whereas provisions have reduced by £2,730k from £3,286k to £556k in 2019/20. The net movement is £3,907k. There are three reasons for this change:-

- Provisions have reduced following the release of £2,783k of the 2017 rating list business rate appeals held at 31st March 2019. The provisions would have been allocated differently in any case with the new business rate arrangements resulting in business rate Balance Sheet items, other than court costs, now being fully allocated to Worcestershire County Council (WCC), Hereford and Worcester Fire and Rescue (HWFR) and Central Government. The release of appeals held at 31st March 2019 has therefore reduced Provisions and increased Creditors by £2,783k.
- In addition, £1,650k budgeted provision for 2017 rating list appeals in 2019/20 has not been required. The £2,783k release from the opening provision plus £1,650k created £4,433k of the £5,291k surplus in the Collection Fund for business rates. The additional £1,650k saved in 2019/20 on business rate appeals has been allocated to WCC, HWFR and Central Government and increased Creditors.
- The Council received £1,272k Government grant in advance in 2019/20 in respect of Covid 19 and this has been recorded as a receipt in advance within creditors on the Balance Sheet as at 31st March 2020.

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Redditch has a 100% interest in Rubicon Leisure Limited which commenced trading on the 1st December 2018 and this has been incorporated as a group interest.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Redditch during the reporting period. The statement shows how we generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided by Redditch. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2020

Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Redditch Borough Council is required to:

- make arrangements for the proper administration of its financial affairs
- secure that one of its officers has the responsibility for the administration of those affairs
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

In this Authority, that officer is the Executive Director of Resources;

The Executive Director of Resources is responsible for the preparation of Redditch Borough 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') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

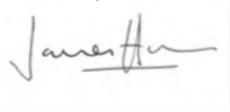
In preparing this Statement of Accounts, the Executive Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Executive Director of Resources has also:

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

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31 March 2020 and its income and expenditure for the year ended on that date.

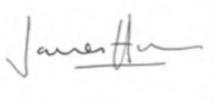


SIGNED **8 November 2021**

Certificate of the Executive Director of Resources (and Chief Financial Officer)

I certify that:

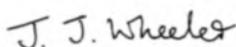
- (a) the Statement of Accounts for the year ended 31 March 2020 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 39.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.



..... Date: 8 November 2021
Executive Director of Resources and Chief Financial Officer

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Audit, Governance and Standards Committee on 1 March 2021.



.....
Chair

8 November 2021

ANNUAL GOVERNANCE STATEMENT 2019/20

Scope of Responsibility

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Redditch Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

The Governance Framework

The framework to deliver good governance across the Councils services in delivering the Strategic Purposes encompass a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers.

- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee . Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition a commercial approach to fees and charges and other income generation has been adopted. A staff survey has also been undertaken and culture workshops developed and delivered to staff to ensure improvements and engagement in light of previous staff surveys.
- Robust financial management arrangements are in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2019/20. The issues in housing were determined to be a prior year ongoing issue rather than a new item.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases are submitted and on line information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2019/20, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

- **Audit, Governance and Standards Committee**
The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.
- **Internal Audit**
RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

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

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

a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,

a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

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

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

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Governance and Standards Committee for further scrutiny.

At the time of writing this opinion in relation to the 22 reviews that have been undertaken, 17 have been finalised and 5 are at draft report stage. Areas which returned an assurance level of 'limited' included Housing – Repairs and Maintenance Stocks and Stores, Document Retention Policies. St David's House returned an assurance level of 'no' assurance. A piece of work that was commenced in 2018/19 in regard to Housing – Repairs and Maintenance Stocks and Stores was rolled into 2019/20 due to initial enquiries, the nature and coverage.

Significant Governance Issues

As above, areas which returned an assurance level of limited included housing - repairs and maintenance stocks and stores, document retention policies. St David's returned an assurance level of "no" assurance. These levels of assurance are defined in the internal audit section of these accounts. These are serious issues which are currently being addressed and will be reviewed and updated in 2020/21. The stocks and stores audit identified a number of high priority areas that needed to be addressed. These ranged from governance to stock identification, ordering of stock, stock control, damaged stock, van stock requirement and job reconciliation and post job inspections. Managers in this area have identified the introduction of new software as the solution to these issues. The intention being that it will introduce the necessary checks and balances and have the appropriate governance framework built into it. Management have also committed to reviewing more of the work carried out and ordering to ensure that sufficient checks are taking place.

The issues identified at St David's were focused around the management of income. Following the audit review support was given to the team at St David's and training provided to ensure that appropriate measures were put in place for the management and collection of income from those using the services.

The issues regarding document retention policies which received limited assurance were as follows. The high priority areas identified were that some areas were not destroying records in line with retention policies and some hard copies of records were not being kept securely. Managements response to this was to ensure that the intranet was used to remind staff to maintain records in line with retention policies and to review records held regularly corporately. With regards to the hard copies of records, it is being investigated if records held at Bromsgrove Council could be transferred to Redditch Town Hall to keep them secure.

There remains a significant risk regarding the delivery of Housing Services which could jeopardise the ability to deliver Council objectives. These stem from the housing team systems and working practices potentially not complying with council best practice. To mitigate this a new housing system is being developed which will enshrine appropriate checks and balances and ensure that best practice is complied with. Control measures have been deployed to reduce the risk in 2020/21 which will be closely monitored by the Corporate Management Team and Internal Audit.

The Heads of Service have actions in place to address any recommendations from Audit reviews and all assessed as being either of high or medium importance have been reported to the Audit, Governance and Standards Committee. The Internal Audit team will continue to review the actions as they are implemented.

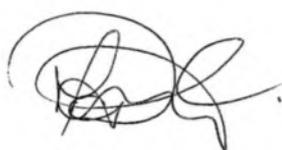
An opinion from the Head of Worcestershire Internal Audit is provided in the accounts on page 19.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed: 8th November 2021



Leader of the Council & Chief Executive on behalf of Redditch Borough Council

1. Head of Internal Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2019/20 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 25th April 2019 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district Councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2019/20 was risk based assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The 2019/20 internal audit plan and any revision thereto was delivered to provide sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 1.5 At the time of writing this opinion in relation to the 22 reviews that have been undertaken, 17 have been finalised and 5 are at draft report stage. Areas which returned an assurance level of 'limited' included Housing – Repairs and Maintenance Stocks and Stores, Document Retention Policies. St David's House returned an assurance level of 'no' assurance. A piece of work that was commenced in 2018/19 in regard to Housing – Repairs and Maintenance Stocks and Stores was rolled into 2019/20 due to initial enquiries, the nature and coverage.
- 1.6 A clear management action plan has been formulated to address the issues identified in all the other audit areas where 'limited' or 'no' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including an outstanding Community Inventory, a lack of awareness in regards to a handbook, a requirement to look at contract procedures, and postponed external reviews. A reoccurring theme reported across several Services was the impact of staff shortages. No areas of significant risk have been identified in addition to those already identified in the audit work completed.
- 1.8 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. It is acknowledged there remain and continue to be some significant challenges and potential risks in the Housing Service.
- 1.9 12 of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. There were 3 audits allocated a 'limited' or 'no' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The three critical friend reviews that were undertaken did not provide an overall assurance but did report on potential lessons learnt. Although there remained some areas where the overall assurance fell short of 'moderate' assurance or above 2019/20 saw a slightly improved corporate picture based on the previous year results where 11 audits were 'moderate' or above and there were 6 'limited' assurance audits reported.
- 1.10 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2019/20 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, risk remains present which could jeopardise this in the future in regard to certain areas and emerging risks will need to be identified and managed. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2019/20 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing service, manage risk effectively, and, ensures other areas which attracted a 'limited' or 'no' assurance develop and deploy a sound control environment where there is the potential for emerging risk.

Redditch Borough Council

Financial Statements for the year ended 31 March 2020

The Core Financial Statements



Redditch Borough Council

Movement in Reserves Statement for the Council and Group
For the current and comparative year

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA Balance	Earmarked HRA Reserves	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Rubicon Leisure Limited	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	1,790	1,616	3,406	1,475	19,835	21,310	5,051	1,471	1,141	32,379	113,636	146,015	0	146,015
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	(2,122)	0	(2,122)	2,940	0	2,940	0	0	0	818	12,104	12,922	30	12,952
Adjustments between accounting basis & funding basis under regulations (Note 9)	5,061		5,061	(5,244)	0	(5,244)	1,828	4,395	1,014	7,054	(7,054)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,939	0	2,939	(2,304)	0	(2,304)	1,828	4,395	1,014	7,872	5,050	12,922	30	12,952
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(3,504)	3,504	0	1,599	(1,599)	0				0		0	0	0
	(565)	3,504	2,939	(705)	(1,599)	(2,304)	1,828	4,395	1,014	7,872	5,050	12,922	30	12,952
Balance as at 31 March 2019	1,225	5,120	6,345	770	18,236	19,006	6,879	5,866	2,155	40,251	118,686	158,937	30	158,967
Closing General Fund and HRA Balance 31 March 2019						25,351								
Movement in reserves during the year														
Total Comprehensive Income and Expenditure	1,657	0	1,657	(1,304)	0	(1,304)	0	0	0	353	19,475	19,828	(3,075)	16,753
Adjustments between accounting basis & funding basis under regulations	(1,425)		(1,425)	(1,699)		(1,699)	931	3,675	249	1,731	(1,731)	0	474	474
Net Increase/Decrease before Transfers to Earmarked Reserves	232	0	232	(3,003)	0	(3,003)	931	3,675	249	2,084	17,744	19,828	(2,601)	17,227
Transfers to or from earmarked reserves (Increase)/Decrease in Year	142	(142)	0	2,977	(2,977)	0				0		0		
	374	(142)	232	(26)	(2,977)	(3,003)	931	3,675	249	2,084	17,744	19,828	(2,601)	17,227
Balance as at 31 March 2020	1,599	4,979	6,577	744	15,259	16,003	7,810	9,541	2,404	42,335	136,430	178,765	(2,571)	176,194
Closing General Fund and HRA Balance 31 March 2020						22,580								

Redditch Borough Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Notes

	2019/20			RECLASSIFIED 2018/19		
	£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Enabling of the Authority	4,175	(2,345)	1,830	4,399	(2,307)	2,092
Help me be financially independent (including Education and Skills)	18,225	(17,525)	700	20,963	(20,214)	749
Help me find somewhere to live in my locality	2,148	(759)	1,389	1,900	(729)	1,171
Help me to live my life independently (including Health and Activity)	2,005	(1,626)	379	2,070	(1,740)	330
Help me run a successful business	2,632	(1,708)	924	** 3,401	(1,311)	2,090
Keep my place safe and looking good	7,793	(3,240)	4,553	7,617	(2,699)	4,918
Provide good things for me to see, do and visit	2,410	(707)	1,703	** 3,938	(2,232)	1,706
Local authority housing - (HRA)	20,441	(24,123)	(3,682)	21,176	(24,391)	(3,215)
Revaluation of Housing Revenue Account Stock	69		69	(4,546)		(4,546)
Cost of Services	59,898	(52,033)	7,865	60,918	(55,623)	5,295
Other Operating Expenditure	11 (235)	0	(235)	13	0	13
Financing and Investment Income and Expenditure	12 5,298	(70)	5,228	5,111	(28)	5,083
Taxation and Non-Specific Grant Income and Expenditure	13 0	(13,211)	(13,211)	11,194	(22,403)	(11,209)
(Surplus) or Deficit on Provision of Services			(353)			(818)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	14, 15		(15,090)			(19,529)
Remeasurement of the net defined benefit liability/(asset)	37		(4,385)			7,425
Other Comprehensive Income and Expenditure			(19,475)			(12,104)
Total Comprehensive Income and Expenditure			(19,828)			(12,922)

The cost of services for 2018/19 have been revised to reflect the reclassification that has taken place in 2019/20 of some activities from Provide good things for me to see, do and visit into Help me run a successful business. The adjustment is between the two areas, expenditure of £544k and income of £105k from Provide good things for me to see, do and visit to Help me run a successful business. These mainly included the Community Centres and Learning Online Services.

Redditch Borough Council

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Notes

	2019/20			RECLASSIFIED 2018/19		
	£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Enabling of the Authority	4,175	(2,345)	1,830	4,399	(2,307)	2,092
Help me be financially independent (including Education and Skills)	18,225	(17,525)	700	20,963	(20,214)	749
Help me find somewhere to live in my locality	2,148	(759)	1,389	1,900	(729)	1,171
Help me to live my life independently (including Health and Activity)	2,005	(1,626)	379	2,070	(1,740)	330
Help me run a successful business	1,547	(1,708)	(161)	** 3,401	(1,311)	2,090
Keep my place safe and looking good	7,793	(3,240)	4,553	7,617	(2,699)	4,918
Provide good things for me to see, do and visit	7,087	(3,869)	3,218	** 5,020	(3,344)	1,676
Local authority housing - (HRA)	20,441	(24,123)	(3,682)	21,176	(24,391)	(3,215)
Revaluation of Housing Revenue Account Stock	69		69	(4,546)		(4,546)
Cost of Services	63,490	(55,195)	8,295	62,000	(56,735)	5,265
Other Operating Expenditure	(191)	0	(191)	13	0	13
Financing and Investment Income and Expenditure	5,298	(70)	5,228	5,111	(28)	5,083
Taxation and Non-Specific Grant Income and Expenditure	0	(13,211)	(13,211)	11,194	(22,403)	(11,209)
(Surplus) or Deficit on Provision of Services			121			(848)
(Surplus) or deficit on revaluation of Property, Plant and Equipment			(15,090)			(19,529)
Remeasurement of the net defined benefit liability/(asset)			(2,258)			7,425
Other Comprehensive Income and Expenditure			(17,348)			(12,104)
Total Comprehensive Income and Expenditure			(17,227)			(12,952)

Redditch Borough Council

Balance Sheet as at 31 March 2020

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a	349,827	337,235
Heritage Assets		57	60
Intangible Assets	15	652	173
Long Term Debtors	16	952	964
Long Term Assets		351,488	338,432
Short Term Investments	16	9,750	4,500
Inventories	17	277	326
Short Term Debtors	18	9,211	8,756
Cash and Cash Equivalents	19	1,511	1,138
Current Assets		20,749	14,720
Short Term Borrowing	16	0	(6,000)
Short Term Creditors	21	(14,031)	(7,385)
Provisions	22	(556)	(3,286)
Revenue Grants received in advance	33	0	0
Current Liabilities		(14,587)	(16,671)
Long Term Borrowing	16	(104,063)	(104,063)
Other Long Term Liabilities	37	(74,095)	(72,930)
Capital Grants received in advance	33	(727)	(551)
Long Term Liabilities		(178,885)	(177,544)
Net Assets		178,765	158,937
Usable reserves	24	42,335	40,251
Unusable Reserves	25	136,430	118,686
Total Reserves		178,765	158,937

Redditch Borough Council

Group Balance Sheet as at 31 March 2020

Information relating to the Group Balance Sheet is included in Note 23 - Group Accounts

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a & 23	349,839	337,235
Heritage Assets		57	60
Intangible Assets	15	652	173
Long Term Debtors	16	952	964
Long Term Assets		351,500	338,432
Short Term Investments	16	9,750	4,500
Inventories	17 & 23	296	343
Short Term Debtors	18 & 23	9,050	7,625
Cash and Cash Equivalents	19 & 23	1,865	1,349
Current Assets		20,961	13,817
Short Term Borrowing	16	0	(6,000)
Short Term Creditors	21 & 23	(14,225)	(6,452)
Provisions	22	(556)	(3,286)
Revenue Grants received in advance	33	0	0
Current Liabilities		(14,781)	(15,738)
Long Term Borrowing	16	(104,063)	(104,063)
Other Long Term Liabilities	23 & 37	(76,696)	(72,930)
Capital Grants received in advance	33	(727)	(551)
Long Term Liabilities		(181,486)	(177,544)
Net Assets		176,194	158,967
Usable reserves	23 & 24	42,365	40,281
Unusable Reserves	23 & 25	133,829	118,686
Total Reserves		176,194	158,967

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year to 31 March 2020.



James Howse
Executive Director of Resources

Date; 8th November 2021

Redditch Borough Council

Cash Flow Statement at 31 March 2020

	Notes	2019/20 £000	2018/19 £000
Net surplus on the provision of services		353	818
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	11,936	15,070
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(5,933)	(5,662)
Net cash flows from Operating Activities		6,356	10,226
Investing Activities	27	(8,708)	(5,227)
Financing Activities	28	2,725	(4,685)
Net increase or decrease in cash and cash equivalents		373	314
Cash and cash equivalents at the beginning of the reporting period		1,138	824
Cash and cash equivalents at the end of the reporting period		1,511	1,138

Redditch Borough Council

Group Cash Flow Statement at 31 March 2020

	Notes	2019/20 £000	2018/19 £000
Net surplus on the provision of services		(121)	848
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	12,567	15,251
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(5,933)	(5,662)
Net cash flows from Operating Activities		6,513	10,437
Investing Activities	27	(8,722)	(5,227)
Financing Activities	28	2,725	(4,685)
Net increase or decrease in cash and cash equivalents		516	525
Cash and cash equivalents at the beginning of the reporting period		1,349	824
Cash and cash equivalents at the end of the reporting period		1,865	1,349

Redditch Borough Council

Financial Statements for the year ended 31 March 2020

Notes to the Core Financial Statements



Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS).

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

Summary of Significant Accounting Policies

1) Revenue and Expenditure Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council has set a de-Minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals.

This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de Minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
 - Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
 - Accruals posted based on orders that have been goods receipted on the E-Financials system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

2) 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 highly liquid 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

4) **Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5) **Council Tax and Non-Domestic Rates (England)**

Billing authorities act as agents, collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

6) **Employee Benefits Benefits Payable During Employment**

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

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

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8) Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as other financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:„

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

9) Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial Assets

Financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

• Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to home owners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

- **Financial Assets at Fair Value Through Other Comprehensive Income or Profit and Loss Account**

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore does not hold accounting policies for these issues.

- **Impairment**

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

10) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

12) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13) Interests in Companies and Other Entities

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

14) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its expenses, including its share of any expenses incurred jointly.

16) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. (England and Wales).

The written-off value of disposals is 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Notes are only included where items are considered to be material by value or nature.

18) Overheads and Support Services

In the Financial Statements overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

19) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
 - 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 management
 - the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located
- The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

- 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.

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

Impairment

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows and structure).
- vehicles, plant and equipment – straight line over the useful life, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

20) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

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

22) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure 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 then reverses out the amounts charged so that there is no impact on the level of Council tax.

23) Shared Services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts

When entering into shared services all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross-charging occurs where a resource is used by the other Authority where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the Business Case and the Authority that gains the benefit for this is fully charged.

24) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There is an amendment to IFRS 16 Leases, this standard was due to be implemented on 1st April 2020 but this has now been delayed until 1st April 2021.

IFRS 16 Leases. The amendment requires Local Authorities who are lessees to recognise leases on the balance sheet as right of use assets with a corresponding lease liability.

As yet the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £4,979k and a General Fund Balance of £1,599k.

The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements each participant in the arrangement, accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cash flows.

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in note 23. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20th May 2020 which ruled that automated teller machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020 but full provision is made in the provision for business rate appeals as at 31st March 2020. The level of the 2017 rating list provision for appeals has released by £2,783k. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in note 22.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore does not hold any investment properties.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 4 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 Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE (excluding Council dwellings) would increase by £267k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council 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, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2,680k. Further sensitivity analysis can be seen in the defined benefit pension scheme note.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The land and building valuations are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 5 Material Items of Income and Expense

The following six material items have had an impact on the 2019/20 Financial Statements:-

Long Term assets have increased from £338,432k to £351,488k, an increase of £13,056k. This is mainly as a result of the revaluation of the Housing Revenue Account housing stock which increased by £18,710k in the year. This has been offset by disposal of housing properties under right to buy with a book value of £3,432k and revaluation losses on General Fund properties of £4,527k mainly relating to the Abbey Stadium which reduced in value by £4,111k.

There has been a decrease in the pension deficit reducing from £76,572k to £74,095k. Note 37 on page 79 provides a detailed analysis of the pension changes but the main reason for the change are actuarial gains from changes in demographic, financial and experience assumptions. The pension liability is reported in the Balance Sheet as at 31st March 2020 is £72,930k, £3,642k lower than the deficit and this reflects the 2019/20 advanced payment of pension contributions.

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1st December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council. The Council CIES income and expenditure has reduced within the Strategic Priority 'Provide good things for me to see, do and visit' as a result of the leisure services that have transferred to Company for the 4 months 1st December 2018 to 31st March 2019 in 2018/19 and the full year in 2019/20. However, the income and expenditure of the Company is incorporated in the Group CIES. Further details on Rubicon Leisure Limited are provided in Note 23.

From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund. The 75% Pilot arrangements apply for 2019/20 only and provide that WCC receive 74% of business rate income, Hereford and Worcester Fire and Rescue (HWFR) continue to receive 1% and Central Government receive 25% rather than 50% it received under the previous arrangements. The Balance Sheet as at 31st March 2020 requires business rate activity (arrears, prepayments, appeals, surplus and provision for bad debts) other than court costs to be allocated to WCC (74%), HWFR (1%) and Central Government (25%) whereas the Balance Sheet as at 31st March 2019 included a 40% allocation to the Council.

Creditors and provisions have changed significantly. Creditors have increased by £6,646k from £7,385k in 2018/19 to £14,031k in 2019/20 whereas provisions have reduced by £2,730k from £3,286k to £556k in 2019/20. The net movement is £3,907k. There are three reasons for this change:-

- Provisions have reduced following the release of £2,783k of the 2017 rating list business rate appeals held at 31st March 2019. The provisions would have been allocated differently in any case with the new business rate arrangements resulting in business rate Balance Sheet items, other than court costs, now being fully allocated to WCC, HWFR and Central Government. The release of appeals held at 31st March 2019 has therefore reduced Provisions and increased Creditors by £2,783k.
- In addition, £1,650k budgeted provision for 2017 rating list appeals in 2019/20 has not been required. The £2,783k release from the opening provision plus £1,650k created £4,433k of the £5,291k surplus in the Collection Fund for business rates. The additional £1,650k saved in 2019/20 on business rate appeals has been allocated to WCC, HWFR and Central Government and increased Creditors.
- The Council received £1,272k Government grant in advance in 2019/20 in respect of Covid 19 and this has been recorded as a receipt in advance within creditors on the Balance Sheet as at 31st March 2020.

The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals.

There has been a significant movement in treasury balances during 2019/20 as calculated below:-

Movement in treasury balances	31st March 2020	31st March 2019
	£'000	£'000
Short Term Borrowing	0	(6,000)
Short Term Investments	9,750	4,500
Cash & Cash Equivalents	1,511	1,138
	11,261	(362)
Treasury Balance Movement		11,623
Movement explained by:-		
Business rate deficit recovered in 2019/20 from Central Government	3,869	
Business rate deficit recovered in 2019/20 from WCC	696	
Business rate deficit recovered in 2019/20 from HWFR	77	
Business rate provision for appeals 2019/20 not required	1,650	6,292
Pension costs in budget paid in previous years		3,642
Covid 19 grant received in advance		1,272
Increase in cash backed usable reserves		2,084
Increase in underlying borrowing requirement		(989)
Increase in short term debtors		(455)
Other movements		(223)
Treasury Balance Movement		11,623

Note 6 Events after the Reporting Period

On the 20th May 2020, the Supreme Court denied the Valuation Office's appeal against the Court of Appeals decision that ATM's should not be rated occupied separately from the host store that they are located within.

Initially ATM's that are located externally or internally at supermarkets or convenience stores were being assessed rateable occupied separately to that of the supermarket but this has now been overturned.

There was also a case relating to the business rates of purpose built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list.

Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020 but full provision has been made in the provision for business rate appeals as at 31st March 2020.

A provision of £239k has been included within the business rates appeals in 19/20 for the settlement of the ATM's case which will be settled in 20/21 and £153k for GP Surgeries.

Further information on the provision for appeals is contained within note 22.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

In April 2020 an upfront payment of £8.774m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2020-21 to 2022-23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 7 Expenditure and Funding Analysis
For the current and comparative year

2019/20				RECLASSIFIED 2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Strategic Purpose	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000		£000	£000	£000	
2,657	827	1,830	Enabling of the Authority	3,100	1,008	2,092	
326	(374)	700	Help me be financially independent (including Education and Skills)	428	(321)	749	
583	(806)	1,389	Help me find somewhere to live in my locality	517	(654)	1,171	
42	(337)	379	Help me to live my life independently (including Health and Activity)	29	(301)	330	
** 619	(305)	924	Help me run a successful business	388	(1,702)	2,090	
3,649	(904)	4,553	Keep my place safe and looking good	4,086	(832)	4,918	
** 616	(1,087)	1,703	Provide good things for me to see, do and visit	964	(742)	1,706	
3,146	6,759	(3,613)	Local authority housing - (HRA)	2,305	10,066	(7,761)	
11,638	3,773	7,865	Net Cost of Services	11,817	6,522	5,295	
(8,866)	(648)	(8,218)	Other Income and Expenditure	(12,453)	(6,340)	(6,113)	
2,772	3,125	(353)	Surplus or Deficit	(636)	182	(818)	
(25,352)	-	-	Opening General Fund and HRA Balance	(24,716)	-	-	
2,772	-	-	Less/ Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(636)	-	-	
(22,580)	-	-	Closing General Fund and HRA Balance at 31 March	(25,352)	-	-	

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

Note 7a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(387)	1,843	0	(629)	827
Help me be financially independent (including Education and Skills)		(374)	0	0	(374)
Help me find somewhere to live in my locality	(683)	(123)	0	0	(806)
Help me to live my life independently (including Health and Activity)	(69)	(268)	0	0	(337)
Help me run a successful business	(286)	(19)	0	0	(305)
Keep my place safe and looking good	(771)	(133)	0	0	(904)
Provide good things for me to see, do and visit	(940)	(147)	0	0	(1,087)
Local authority housing - (HRA)	2,844	(952)	0	4,867	6,759
Net Cost of Services	(292)	(173)	0	4,238	3,773
Other Income and Expenditure from the Expenditure and Funding Analysis	2,258	(1,734)	3,150	(4,322)	(648)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,966	(1,907)	3,150	(84)	3,125

Adjustments between Funding and Accounting Basis 2018/19

RECLASSIFIED					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(103)	1,762	0	(651)	1,008
Help me be financially independent (including Education and Skills)	0	(321)	0	0	(321)
Help me find somewhere to live in my locality	(575)	(79)	0	0	(654)
Help me to live my life independently (including Health and Activity)	(70)	(231)	0	0	(301)
** Help me run a successful business	(1,579)	(123)	0	0	(1,702)
Keep my place safe and looking good	(709)	(123)	0	0	(832)
** Provide good things for me to see, do and visit	(463)	(279)	0	0	(742)
Local authority housing - (HRA)	6,066	(811)	0	4,811	10,066
Net Cost of Services	2,567	(205)	0	4,160	6,522
Other Income and Expenditure from the Expenditure and Funding Analysis	2,501	(1,554)	(3,044)	(4,243)	(6,340)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,068	(1,759)	(3,044)	(83)	182

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2019/20	Revenue from External Customers	Depreciation and Amortisation	Material Non- cash Items other than Depreciation and Amortisation
	£000	£000	£000
Enabling of the Authority	(2,300)	387	0
Help me be financially independent (including Education and Skills)	(1,406)	0	0
Help me find somewhere to live in my locality	(536)	0	0
Help me to live my life independently (including Health and Activity)	(1,620)	69	0
Help me run a successful business	(1,458)	257	0
Keep my place safe and looking good	(3,034)	815	0
Provide good things for me to see, do and visit	(615)	712	0
Local authority housing - (HRA)	(24,124)	5,869	69
Total Income Analysed on a Segmental Basis	(35,093)	8,109	69

RECLASSIFIED			
2018/19	Revenue from External Customers	Depreciation and Amortisation	Material Non- cash Items other than Depreciation and Amortisation
	£000	£000	£000
Enabling of the Authority	(2,282)	260	0
Help me be financially independent (including Education and Skills)	(1,650)	0	0
Help me find somewhere to live in my locality	(526)	0	0
Help me to live my life independently (including Health and Activity)	(1,737)	70	0
** Help me run a successful business	(1,205)	248	0
Keep my place safe and looking good	(2,665)	709	0
** Provide good things for me to see, do and visit	(2,253)	463	0
Local authority housing - (HRA)	(24,391)	6,271	(4,546)
Total Income Analysed on a Segmental Basis	(36,709)	8,021	(4,546)

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 8 Expenditure and Income Analysed by Nature

The authority's expenditure and income are analysed as follows:

		Restated	Originally Stated
Expenditure:	2019/20 £000	2018/19 £000	2018/19 £000
Employee Benefits Expenses	16,740	17,645	16,671
Other Services Expenditure	35,082	39,717	39,687
Depreciation and Amortisation	8,109	8,021	8,021
Revaluation of HRA dwellings reversing previous losses	69	(4,466)	(4,546)
Interest Payments	5,298	5,111	5,111
Precepts and Levies	8	8	8
Payments to Housing Capital Receipts Pool	850	776	776
Gain on the Disposal of Assets	(1,193)	(771)	(771)

		Restated	Originally Stated
Income:	2019/20 £000	2018/19 £000	2018/19 £000
Fees, Charges and other service Income	(35,093)	(36,709)	(36,709)
Interest and Investment Income	(70)	(28)	(28)
Income for Council tax, non-domestic rates, district rate income	(11,212)	(7,819)	(7,819)
Government grants and Contributions	(18,941)	(22,304)	(22,304)
Other Income	0	0	0
(Surplus) or Deficit on the Provision of Services	(353)	(819)	(1,903)

A comparison column has been added within Note 8 this is because audit amendments were made to the Statement of Accounts 2018/19 but these were not reflected within Note 8 of the accounts. These included a £974k adjustment for the reflection of the McCloud impact to the Pension Scheme and asset value adjustments totalling £113k.

Revenue from contracts with Service Recipients

Revenue from contracts with service recipients amounts to £28,759k of the £52,581k income in the Comprehensive Income and Expenditure Statement (CIES). The income is significant and in the areas received fund a large part of the costs of providing the services. Compared with 2018/19 there has been a £1,294k reduction this is due to the reduced leisure income following the creation of Rubicon Leisure Limited who have operated key Leisure facilities since 1st December 2018. A summary of the income from service recipients is provided below:-

Service Area	2019/20 £000	2018/19 £000
Charges to Council Tenants	23,953	23,837
Leisure	127	1,692
Lifeline	534	491
Rents	1,372	1,309
Bereavement	1,358	1,402
Planning and Building Control	388	319
Licencing	277	256
Land Charges	53	70
Garden and Bulky Waste	146	145
Other	551	532
Total income from contracts with service recipients	28,759	30,053

The Council Policy on fees and charges is that:

- All services should be charged where it is appropriate to do so, unless there are conflicting policies or legal reasons not to do so.
- The charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.
- Decisions to subsidise services, or to not make a charge for a service should be clearly linked to Council objectives, and the potential income that is not earned must be a consideration in the decision.
- Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the Service unit.
- Charges must be linked to both service and strategic objectives and must be clearly understood.
- The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.
- Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services.
- Where appropriate annual inflationary uplifts will be applied through the budget setting process, this will be agreed by the Council as part of the budget setting process.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact upon the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities - however, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

2019/20	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	(19)	1,927	0	0	0	(1,908)
Council tax and NDR (transfers to or from the Collection Fund)	(3,150)	0	0	0	0	3,150
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,433	9,370	0	0	0	(11,803)
Total Adjustments to Revenue Resources	(736)	11,297	0	0	0	(10,561)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(411)	(4,299)	4,710	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	85	(85)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	850	0	(850)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,869)	0	5,869	0	0
Use of flexible capital receipts to fund service reform	100	0	(100)	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(851)	0	0	0	0	851
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(2,913)	0	0	0	2,913
Total Adjustments to Revenue Resources	(312)	(12,996)	3,675	5,869	0	3,764
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,744)	0	0	2,744
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2,194)	0	2,194
Application of capital grants to finance capital expenditure	(377)	0	0	0	249	128
Total Adjustments to Capital Resources	(377)	0	(2,744)	(2,194)	249	5,066
Total Adjustments	(1,425)	(1,699)	931	3,675	249	(1,731)

Usable Reserves						
2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	134	1,625	0	0	0	(1,759)
Council tax and NDR (transfers to or from the Collection Fund)	3,044	0	0	0	0	(3,044)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,990	4,898	0	0	0	(7,888)
Total Adjustments to Revenue Resources	6,168	6,523	0	0	0	(12,691)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(3,980)	3,980	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	83	(83)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	776	0	(776)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(6,271)	0	6,271	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(809)	0	0	0	0	809
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,599)	0	0	0	1,599
Total Adjustments to Revenue Resources	(33)	(11,767)	3,121	6,271	0	2,408
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,293)	0	0	1,293
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(1,876)	0	1,876
Application of capital grants to finance capital expenditure	(1,074)	0	0	0	1,014	60
Total Adjustments to Capital Resources	(1,074)	0	(1,293)	(1,876)	1,014	3,229
Total Adjustments	5,061	(5,244)	1,828	4,395	1,014	(7,054)

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

	Balance as at 1 April 2018 £000	Transfers In	Transfers Out	Balance as at 31 March 2019 £000	Transfers In	Transfers Out	Balance as at 31 March 2020 £000
		2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000	
General Fund:							
Business Rate grants	7	0	0	7	0	(7)	0
Business Rates Retention Scheme	0	3,246	0	3,246	2,002	(3,252)	1,996
Support for Commercialism	47	0	(19)	28	0	(28)	0
Community Development	4	0	0	4	65	(2)	67
Community Safety	270	225	(270)	225	302	(225)	302
Corporate Services	150	0	0	150	150	(150)	150
Customer Services	12	0	0	12	0	(12)	0
Economic Growth	0	0	0	0	330	0	330
Electoral Services	48	14	(22)	40	23	(19)	44
Equalities	11	0	0	11	0	(11)	0
Equipment replacement	83	0	(10)	73	0	(26)	47
Financial Services	0	55	0	55	32	0	87
General Risk reserve	0	17	0	17	35	(7)	45
Housing Benefit Implementation	81	127	(8)	200	70	0	270
Housing Support	567	171	(14)	724	118	(97)	745
Land Charges	9	0	0	9	0	0	9
Land Drainage	161	0	(20)	141	0	(12)	129
Leisure	21	0	(21)	0	0	0	0
Mercury Emissions	34	0	(34)	0	0	0	0
Parks & Open spaces	10	13	0	23	8	(23)	8
Planning Services	0	30	0	30	678	(39)	669
Public Donations - Shop mobility	13	0	(7)	6	0	(6)	0
Sports Development	20	63	(20)	63	68	(63)	68
Town Centre	56	0	(11)	45	0	(43)	2
Warmer Homes	12	0	0	12	0	0	12
Total General Fund	1,616	3,961	(456)	5,121	3,881	(4,022)	4,980
HRA							
Housing Capital	19,835	0	(1,600)	18,235	0	(2,977)	15,258
Total HRA	19,835	0	(1,600)	18,235	0	(2,977)	15,258
Total Earmarked Reserves	21,451	3,961	(2,056)	23,356	3,881	(6,999)	20,238

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 11 Other Operating Expenditure

	2019/20 £000	2018/19 £000
Parish Council precepts	8	8
Levies	0	0
Payments to the Government Housing Capital Receipts Pool	850	776
Gains/losses on the disposal of non current assets	(1,193)	(771)
Use of flexible capital receipts to fund service reform	100	0
Total	(235)	13

Note 12 Financing and Investment Income and Expenditure

	2019/20 £000	2018/19 £000
Interest payable and similar charges	3,564	3,557
Net interest on the net defined benefit liability (asset)	1,734	1,554
Interest receivable and similar income	(70)	(28)
Income and expenditure in relation to investment properties and changes in their fair value	0	0
Other investment income	0	0
Total	5,228	5,083

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2019/20 £000	2018/19 £000
Income		
Council Tax Income	(6,318)	(6,095)
Non Domestic Rates Income and Expenditure	(4,894)	(1,724)
Non-ring-fenced government grants	(876)	(1,741)
Income from a Business Rates Supplement	0	0
Capital Grants and Contributions	(1,123)	(1,649)
Total	(13,211)	(11,209)

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	279,519	9,274	37,458	13,516	4,788	1,378	135	1,750	347,818
Adjustments re prior years		(215)	215						0
Adjusted opening balance	279,519	9,059	37,673	13,516	4,788	1,378	135	1,750	347,818
Additions (Note 35)	7,271	260	854	184	258		405		9,232
Revaluation increases/decreases to Revaluation Reserve	13,114	648	(6,344)	0	0	0	0	536	7,953
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	80	(28)	(345)	0	0	0	0	0	(293)
Derecognition - Disposals	(3,432)	0	0	0	0	0	0	0	(3,432)
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2020	296,552	9,938	31,837	13,700	5,046	1,378	540	2,286	361,278
Depreciation and Impairment									
Balance as at 1 April 2019	0	0	(1,008)	(8,699)	(876)	0	0	0	(10,583)
Depreciation Charge	(5,596)	0	(1,341)	(926)	(142)	0	0	0	(8,005)
Depreciation written out on Revaluation Reserve	5,596	0	1,542	0	0	0	0	0	7,138
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2020	0	0	(807)	(9,625)	(1,018)	0	0	0	(11,450)
Net Book Value									
Balance as at 31 March 2020	296,552	9,938	31,030	4,075	4,028	1,378	540	2,286	349,827
Balance as at 1 April 2019	279,519	9,274	36,450	4,817	3,912	1,378	135	1,750	337,235

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 14 a Comparative Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	262,158	6,704	39,715	12,978	3,999	1,378	399	1,750	329,081
Adjustments re prior year				0	0	0	0	0	0
Balance as at 1 April 2018	262,158	6,704	39,715	12,978	3,999	1,378	399	1,750	329,081
Additions (Note 35)	4,761	0	119	1,179	209	0	342	0	6,610
Donations									0
Revaluation increases/decreases to Revaluation Reserve	11,227	2,545	(881)	0	0	0	0	0	12,891
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	4,466	25	(1,495)	0	0	0	0	0	2,996
Derecognition - Disposals	(3,093)	0	0	(667)	0	0	0	0	(3,760)
Reclassifications & Transfers	0	0	0	26	580	0	(606)	0	0
Balance as at 31 March 2019	279,519	9,274	37,458	13,516	4,788	1,378	135	1,750	347,818
Depreciation and Impairment									
Balance as at 1 April 2018	0	0	(877)	(8,543)	(754)	0	0	0	(10,174)
Adjustments relating to 2016-17	0	0				0	0	0	0
Adjusted opening balance	0	0	(877)	(8,543)	(754)	0	0	0	(10,174)
Depreciation Charge	(5,995)	0	(1,037)	(790)	(122)	0	0	0	(7,944)
Depreciation written out on Revaluation Reserve	5,995	0	643	0	0	0	0	0	6,638
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	263	0	0	0	0	0	263
Derecognition - Disposals	0	0	0	634	0	0	0	0	634
Reclassifications & Transfers	0	0		0	0	0	0	0	0
Balance as at 31 March 2019	0	0	(1,008)	(8,699)	(876)	0	0	0	(10,583)
Net Book Value									
Balance as at 31 March 2019	279,519	9,274	36,450	4,817	3,912	1,378	135	1,750	337,235
Balance as at 31 March 2018	262,158	6,704	38,838	4,435	3,245	1,378	399	1,750	318,907

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Depreciation

All assets have been depreciated using a reducing balance method. For the housing revenue account the depreciation calculation is based on the replacement cost and useful life of major components - bathroom, kitchen, roof, rewire, central heating boiler, central heating system, windows and the structure.

The useful economic life of the assets has been determined by the Council's valuers and surveyors.

Buildings have a useful life of between 15 to 100 years.

Vehicles, plant and equipment and software licences have a useful life between 5 to 10 years.

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every 5 years. Bruton Knowles have been instructed to act as the Council's valuers for 2019/20. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of non-current assets carried at current value:

Description	Dwellings £000	Land £000	Building £000	Surplus Assets £000	Other Asset Classes £000	Total £000
Valued at Historical Cost	0	0	0	0	10,019	10,019
Valued at current value in:						
2019/20	296,553	3,063	19,861	2,286	0	321,763
2018/19	0	5,128	8,678	0	0	13,806
2017/18	0	918	1,444	0	0	2,362
2016/17	0	74	558	0	0	632
2015/16	0	497	750	0	0	1,247
Total	296,553	9,680	31,291	2,286	10,019	349,827

Other asset classes include Vehicles, Plant and Equipment (£4,073k), Infrastructure (£4,026k), Community Assets (£1,378k) and Assets under construction (£541k).

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The land and building valuations are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

Fair Value Hierarchy for Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

2019/20 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2020 £000
Land at Upper Norgrove	0	1,511	0	1,511
Land at Middlehouse Lane	0	775	0	775
Total	0	2,286	0	2,286

2018/19 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 31st March 2019 £000
Land at Upper Norgrove	0	1,500	0	1,500
Land at Middlehouse Lane	0	250	0	250
Total	0	1,750	0	1,750

Transfers between levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant observable inputs – Level 2

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

Highest and best use of surplus assets

In estimating the fair value of the authority's surplus assets, the highest and best use of the assets is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,881k. Valuations have been carried out by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 15 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £101k (£74k 2018/19) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service.

All software is assigned a useful life of 7 years.

The Movement in Intangible Assets for the Year is as Follows

	2019/20		2018/19	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Balance at start of year:				
· Gross carrying amounts	1,776	1,776	1,776	1,776
· Accumulated amortisation	(1,603)	(1,603)	(1,529)	(1,529)
Net carrying amount at start of year	173	173	247	247
Additions:				
· Purchases	580	580	0	0
Net carrying amount after additions	753	753	247	247
Amortisation for the period	(101)	(101)	(74)	(74)
Net carrying amount at end of year	652	652	173	173
Comprising:				
· Gross carrying amounts	2,356	2,356	1,776	1,776
· Accumulated amortisation	(1,704)	(1,704)	(1,603)	(1,603)
Net carrying amount at end of year	652	652	173	173

Of the £540k recognised under Purchases this is the purchase of the Housing and Finance Systems, these are currently being implemented and will not be charged amortisation until the projects are complete.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 16 Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	1,511	1,138	0	0	1,511	1,138	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	9,750	4,500	8,202	5,725	17,952	10,225	0	0	952	964	952	964
Total Financial Assets	11,261	5,638	8,202	5,725	19,463	11,363	0	0	952	964	952	964
Non-Financial Assets	0	0	1,009	3,031	1,009	3,031	0	0	0	0	0	0
Total	11,261	5,638	9,211	8,756	20,472	14,394	0	0	952	964	952	964

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised Cost	0	(6,000)	(6,311)	(5,243)	(6,311)	(11,243)	(104,063)	(104,063)	0	0	(104,063)	(104,063)
Total Financial Liabilities	0	(6,000)	(6,311)	(5,243)	(6,311)	(11,243)	(104,063)	(104,063)	0	0	(104,063)	(104,063)
Non-Financial Liabilities	0	0	(7,720)	(2,142)	(7,720)	(2,142)	0	0	0	0	0	0
Total	0	(6,000)	(14,031)	(7,385)	(14,031)	(13,385)	(104,063)	(104,063)	0	0	(104,063)	(104,063)

Soft Loans

	2019/20	2018/19
	£000	£000
Opening Soft Loans	916	908
Nominal Value of New Loans Granted During the Period	38	30
The fair value adjustment on initial recognition	(8)	(6)
Loans Repaid During the Period	(57)	(32)
The fair value adjustment on reclassification/prior year	18	16
Nominal value of loans at the end of the period	907	916

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relate to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years which will be repaid on the sale of the property. In all cases no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 16a Financial Instruments fair value disclosures

Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required).

Except for the financial assets carried at fair value (described in the table above) all other financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

Financial Liabilities	31st March 2020		31st March 2019	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities held at amortised cost:				
PWLB Loans	98,966	117,376	98,966	115,984
Long Term Loans	5,097	6,660	5,097	6,710
Total	104,063	124,036	104,063	122,694

The fair value of borrowings is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required).

Recurring Fair Value Measurements using:	31st March 2020				31st March 2019			
	Quoted prices in active markets for identical assets / liabilities (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total	Quoted prices in active markets for identical assets / liabilities (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities								
Financial liabilities held at amortised cost:								
PWLB	0	117,376	0	117,376	0	115,984	0	115,984
Long Term Loan	0	6,660	0	6,660	0	6,710	0	6,710
Total	0	124,036	0	124,036	0	122,694	0	122,694

The fair value of Public Works Loan Board (PWLB) loans of £117,376k measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the (additional/reduced) interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that would be paid if the loans were at prevailing market rate.

Financial Liabilities
- No early repayment is recognised
- The interest rates payable at 31 March 2020 range between 3.01% to 4.71% and the fair value calculation uses current lending rates for equivalent loans at that date which range from 1.6% to 2.1%.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 17 Inventories

	Consumable Stores	
	2019/20	2018/19
	£000	£000
Balance outstanding at start of year	326	316
Purchases	710	890
Recognised as an expense in year	(747)	(874)
Written off balances	(12)	(6)
Balance outstanding at year end	277	326

Note 18 Debtors

	Long term debtors		Short term debtors	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Central Government Bodies	0	0	1,062	918
Other Local Authorities	0	0	4,052	1,405
Other entities and individuals	952	964	5,405	8,217
Housing Rents	0	0	1,386	1,079
Less bad debt provision	0	0	(2,694)	(2,863)
Total	952	964	9,211	8,756

Included within the debtors balance are provisions for bad and doubtful debts which reduce the value of the related debtor as per the breakdown below:

	2019/20 £000	2018/19 £000
General Fund Debtors	(305)	(159)
Council Tax	(807)	(683)
NNDR	(28)	(390)
Housing Benefit	(1,120)	(1,171)
Housing Rents	(434)	(460)
Total	(2,694)	(2,863)

Note 19 Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2019/20 £000	2018/19 £000	2017/18 £000
Cash and Bank balances	1,511	1,138	824
Bank Overdraft	0	0	0
Total	1,511	1,138	824

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 20 Assets Held for Sale

	Current	
	2019/20	2018/19
	£000	£000
Balance outstanding at start of year	0	0
Assets sold	0	0
Balance outstanding at year-end	0	0

There were no assets held for sale as at 31st March 2020. To be an asset held for sale it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within 12 months. The Council holds two surplus assets which do not meet the requirements of assets held for sale, details of which can be found in note 14 on page 55.

Note 21 Creditors

	Short term creditors	
	2019/20	2018/19
	£000	£000
Central government bodies	(4,486)	(1,056)
Other local authorities	(6,141)	(1,774)
Housing Rents prepaid	(613)	(497)
Other entities and individuals	(2,791)	(4,058)
Total	(14,031)	(7,385)

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 22 Provisions

	Balance as at 1 April 2019	Change in provision during year	Utilised during year	Balance as at 31 March 2020
	£000	£000	£000	£000
Insurance	(528)	(35)	135	(428)
NNDR Appeals	(2,630)	2,630	0	0
Employee Benefit	(128)	0	0	(128)
Total	(3,286)	2,595	135	(556)

Comparative Year

	Balance as at 1 April 2018	Change in provision during year	Utilised during year	Balance as at 31 March 2019
	£000	£000	£000	£000
Insurance Claims	(445)	(83)	0	(528)
NNDR Appeals	(2,070)	(560)	0	(2,630)
Employee Benefit	(128)	0	0	(128)
Total	(2,643)	(643)	0	(3,286)
Current Provisions	(2,643)	(643)	0	(3,286)
Long Term Provisions	0	0	0	0
Total	(2,643)	(643)	0	(3,286)

Business Rates Appeals Provision

Within the Collection Fund the Council has set aside provision for any potential liabilities as a result of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and also set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge has been upheld in May 2020.

Unlike previous years there is no allocation of the business rate appeals to the Council because of the arrangements in place in 2019/20 whereby Worcestershire County Council have taken the lead on a Pilot Business Rate Pool covering all of Worcestershire securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

The Council also holds a provision for potential insurance claims, this is currently £428k. The Council self insures up to the value of £28k per claim and this provision is calculated with regard to the level of outstanding claims.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 23 Group Accounts

1.1 Nature of the relationship between Redditch Borough Council and Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1st December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council.

The Council continue to own the buildings and Rubicon operate services at the following sites:-

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café (from 1st November 2019)
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winyates Green Meeting Rooms
- Arrow Valley Visitor Centre (from 1st April 2020)

During the first 4 months of trading the Company made a surplus of £30k which is reflected in 2018/19. In 2019/20 the Company operated at breakeven after receiving £413k additional management fee from the Council. The company activity is included in the Group CIES, MIRS and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors, this is to avoid a double count. In addition, the Company inventory, cash and reserves are reflected in the Group Balance Sheet.

There is no goodwill as the group did not arise through a purchase.

1.2 Reconciliation of Group Movement in Reserves Statement to the Group Balance Sheet

	31st March 2020 £000	31st March 2019 £000
Total Authority Reserves	178,765	158,937
Rubicon Leisure Limited Retained Earnings at 31st March	30	30
Rubicon Pension Deficit	(2,601)	0
Total Reserves in the Group Balance Sheet	176,194	158,967

1.3 Group Usable Reserves

	31st March 2020 £000	31st March 2019 £000
Rubicon Leisure Limited Retained Earnings	30	30
Capital Receipt Reserve	7,810	6,879
Capital Grants Unapplied	2,404	2,155
Major Repairs Reserve	9,541	5,866
HRA Balances	744	770
HRA Earmarked Reserves	15,259	18,236
General Fund Balances	1,599	1,225
General Fund Earmarked Reserves	4,979	5,120
Total	42,365	40,281

1.4 Cash, Inventory and Short Term Debtors and Creditors

	31st March 2020 £000	31st March 2019 £000
Cash and Cash Equivalents		
Redditch BC Balance Sheet	1,511	1,138
Rubicon Leisure Limited Balance Sheet	354	211
Group Cash & Cash Equivalents	1,865	1,349
Inventory		
Redditch BC Balance Sheet	277	326
Rubicon Leisure Limited Balance Sheet	19	17
Group Inventory	296	343
Short Term Debtors		
Redditch BC Balance Sheet	9,211	8,756
Rubicon Leisure Limited Balance Sheet	471	1,255
Remove debtors in Council Balance Sheet relating to RLL	(316)	(1,217)
Remove debtors in RLL Balance Sheet relating to RBC	(316)	(1,169)
Group Short Term Debtors	9,050	7,625
Short Term Creditors		
Redditch BC Balance Sheet	(14,031)	(7,385)
Rubicon Leisure Limited Balance Sheet	(826)	(1,453)
Remove debtors in Council Balance Sheet relating to RLL	316	1,390
Remove debtors in RLL Balance Sheet relating to RBC	316	996
Group Short Term Creditors	(14,225)	(6,452)

1.5 Group Comprehensive Income & Expenditure Statement

The Group CIES removes the £1,085k income paid by the Council to Rubicon (2018/19 £222k) within the strategic purpose 'Help me run a successful business' and incorporates the Company expenditure of £4,677k (2018/19 £1,304k) and income £3,162k (2018/19 £1,112k) excluding management fee under 'Provide good things for me to see, do and visit'. In addition, there is a £44k charge to financing and investment income relating to pension interest and -£2,127k adjustment to remeasurement of defined benefit liabilities.

1.6 Group Defined Benefit Scheme

Details of the Council's involvement in the Local Government Pension Scheme are provided in note 37 of these Financial Statements. In this note the sums included for the Council include the defined define and discretionary elements of the pension scheme, a breakdown of which can be found in note 37.

In relation to the Local Government Pension Scheme the following amounts represent the consolidation of items within the profit and loss account of Rubicon Leisure Limited into the Group Comprehensive Income and Expenditure Statement 2019/20.

	Local Government Pension Scheme		
	Council £000	Rubicon Leisure £000	Group £000
Comprehensive Income and Expenditure Statement			
<i>Cost of services:</i>			
<i>Service cost comprising:</i>			
Current service cost	3,217	371	3,588
Past service cost and Curtailments	732	406	1,138
Financing and Investment Income and	0		0
Net Interest expense	1,734	44	1,778
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,683	821	6,504

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	8,101	249	8,350
Actuarial (gains) and losses arising on changes in demographic assumptions	(5,410)	o	(5,410)
Actuarial (gains) and losses arising on changes in financial assumptions	(3,206)	(51)	(3,257)
Actuarial (gains)/losses from experience	(3,907)	(11)	(3,918)
Other	37	4	41
Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(4,385)	191	(4,194)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	1,298	1,012	2,310

The following amounts have been recognised in the Balance Sheet of Rubicon Leisure Limited and consolidated into the Group Balance Sheet as at 31st March 2020.

	Local Government Pension Scheme		
	Council £000	Rubicon Leisure £000	Group £000
Present value of the defined obligation	(171,876)	(6,023)	(177,899)
Fair value of plan assets	97,781	3,422	101,203
Net liability arising from the defined benefit	(74,095)	(2,601)	(76,696)

	Local Government Pension Scheme		
	Council £000	Rubicon Leisure £000	Group £000
Opening fair value of scheme assets	104,462	3,362	107,824
Interest income	2,558	87	2,645
Remeasurement gain/(loss):			0
the return on plan assets, excluding the amount included in the net interest expense	(8,101)	(249)	(8,350)
Contributions from employer	3,775	351	4,126
Contributions from employees into the scheme	600	72	672
Benefits/transfers paid	(5,476)	(197)	(5,673)
Administration costs	(37)	(4)	(41)
Closing value of scheme assets	97,781	3,422	101,203

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		
	Council £000	Rubicon Leisure £000	Group £000
Opening balance at 1 April	(181,034)	(5,302)	(186,336)
Current service cost	(3,217)	(371)	(3,588)
Interest cost	(4,292)	(131)	(4,423)
Contributions from scheme participants	(600)	(72)	(672)
Remeasurement (gains) and losses:			
Actuarial (gains)/losses from changes in demographic assumptions	5,410	0	5,410
Actuarial gains/(losses) from changes in financial assumptions	3,206	51	3,257
Experience (gains/losses)	3,907	11	3,918
Past service cost	(726)	(131)	(857)
Losses/(gains) on curtailments where relevant	(6)	(275)	(281)
Benefits/transfers paid	5,476	197	5,673
Balance as at 31 March	(171,876)	(6,023)	(177,899)

Local Government Pension Assets comprise

	Local Government Pension Scheme		
	Council £000	Rubicon Leisure £000	Group £000
Cash and cash equivalents	586	21	607
Equity	69,033	2,416	71,449
Bonds	12,028	421	12,449
Property	5,671	198	5,869
Alternatives	10,463	366	10,829
Balance as at 31 March	97,781	3,422	101,203

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 24 Usable Reserves

	31/03/2020	31/03/2019
	£000	£000
Capital Receipt Reserve	7,810	6,879
Capital Grants Unapplied	2,404	2,155
Major Repairs Reserve	9,541	5,866
HRA Balances	744	770
HRA Earmarked Reserves	15,259	18,236
General Fund Balances	1,599	1,225
General Fund Earmarked Reserves	4,979	5,120
Total Usable Reserves	42,335	40,251

Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2020	31/03/2019
	£000	£000
Balance 1 April	6,879	5,051
Capital Receipts in year	4,625	3,897
Sub-Total	11,504	8,948
Less:		
Capital Receipts Pooled	(850)	(776)
Capital Receipts used for financing	(2,744)	(1,293)
Use of flexible capital receipts for service reform	(100)	0
Balance 31 March	7,810	6,879

The main capital receipts were from the sale of Council houses (£4,298k).

The £7,810k balance as at 31st March is represented by:-

- £4,382k earmarked for future acquisitions of housing stock. Under the capital regulations, capital receipts can be used to fund 30% of the acquisitions with the remaining 70% being funded from the HRA earmarked reserve.

- £2,209k for HRA future investment programme on existing assets or environmental improvements.

- £982K General Fund and £237k HRA capital receipts available for flexible use. Since 1st April 2016 local authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the £1,219k is available to be used either for financing capital investment or funding projects qualifying for the flexible use.

Capital Grants Unapplied

	31/03/2020	31/03/2019
	£000	£000
Balance on 1 April	2,155	1,141
Unapplied Capital Grants received in year	377	1,074
Capital Grants applied in year to finance capital projects	(128)	(60)
Balance on 31 March	2,404	2,155

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5,869k in the year. The reserve was used to finance £2,194k of the Housing Investment Programme increasing the balance held in the reserve from £5,866k to £9,541k.

	31/03/2020	31/03/2019
	£000	£000
Balance at 1 April	5,866	1,471
Depreciation	5,869	6,271
Capital expenditure on HRA Land, Houses and Other Property	(2,194)	(1,876)
Balance at 31 March	9,541	5,866

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 25 Unusable Reserves

	31/03/2020	31/03/2019
	£000	£000
Revaluation Reserve	52,214	37,497
Capital Adjustment Account	157,877	160,477
Pensions Reserve	(74,093)	(76,570)
Collection Fund Adjustment Account	560	(2,590)
Accumulated Absences Account	(127)	(127)
Total Unusable Reserves	136,430	118,687

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2020	31/03/2019
	£000	£000
Balance at 1 April	37,497	18,396
Upward revaluation of assets	15,090	19,529
Surplus or deficit on revaluation of non-current assets	15,090	19,529
Difference between fair value depreciation and historical cost depreciation	(373)	(428)
Amount written off to the Capital Adjustment Account	(373)	(428)
Balance at 31 March	52,214	37,497

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	31/03/2020		31/03/2019	
	£000	£000	£000	£000
Balance at 1 April		160,477		162,300
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(8,008)		(7,947)	
Revaluation losses on Property, Plant and Equipment	(293)		3,259	
Amortisation of Intangible Assets	(101)		(74)	
Revenue expenditure funded from capital under statute	(715)		(575)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,432)		(3,126)	
		(12,549)		(8,463)
Adjusting amounts written out of the Revaluation Reserve				
Recognition of Long-Term Debtors which in previous years were treated as revenue expenditure charged to capital under statute		373		428
Net written out amount of the cost of non current assets consumed in the year		(12,176)		(8,035)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,744		1,293	
Use of the Major Repairs Reserve to finance new capital expenditure	2,194		1,876	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	746		575	
Application of grants to capital financing from the Capital Grants Unapplied Account	128		60	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	851		809	
Capital expenditure charged against the General Fund and HRA balances	2,913		1,599	
		9,576		6,212
Deferred Capital Receipts realised		0		0
Balance at 31 March		157,877		160,477

Pensions Reserve

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

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(76,570)	(67,386)
Remeasurements of the net defined benefit liability/(asset)	4,385	(7,425)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,683)	(5,453)
Employers pensions contributions and direct payments to pensioners payable in the year	3,775	3,694
Balance at 31 March	(74,093)	(76,570)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(2,590)	454
Amount by which Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	3,150	(3,044)
Balance at 31 March	560	(2,590)

Accumulated Absences Account

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

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(127)	(127)
Settlement or cancellation of accrual made at the end of the preceding year	127	127
Amounts accrued at the end of the current year	(127)	(127)
Balance at 31 March	(127)	(127)

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 26 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items.
In 2018/19 Rubicon Leisure Limited has been incorporated into the Group Cashflow.

	Authority	Group	Authority	Group
	2019/20	2019/20	2018/19	2018/19
	£000	£000	£000	£000
Interest Paid	(3,553)	(3,553)	(3,691)	(3,691)
Interest Received	70	70	29	29

	2019/20	2019/20	2018/19	2018/19
	£000	£000	£000	£000
Adjustment to surplus or deficit on the provision of services for noncash movements				
Depreciation	8,008	8,010	7,947	7,947
Impairment & downward valuations	(572)	(572)	(3,259)	(3,259)
Amortisation	100	100	74	74
(Increase)/Decrease in Debtors	(2,414)	(3,384)	(172)	959
Increase/(Decrease) in Creditors	(370)	757	1,264	331
(Increase)/Decrease in Inventories	52	50	(12)	(29)
Movement in pension liability	5,550	6,024	5,463	5,463
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	4,298	4,298	3,126	3,126
Other items charged to the net surplus or deficit on provision of services	(2,716)	(2,716)	639	639
Total	11,936	12,567	15,070	15,251

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from the sale of PP&E, investment property and intangible assets	(4,710)	(4,710)	(4,013)	(4,013)
Any other items	(1,223)	(1,223)	(1,649)	(1,649)
Total	(5,933)	(5,933)	(5,662)	(5,662)

Note 27 Cash Flow From Investing Activities

	2019/20 £000	2019/20 £000	2018/19 £000	2018/19 £000
Purchase of PP&E, investment property and intangible assets	(9,499)	(9,513)	(6,479)	(6,479)
Purchase of Short Term Investments (not considered to be cash equivalents)	(200,250)	(200,250)	(233,100)	(233,100)
Other Payments for Investing Activities	(38)	(38)	(273)	(273)
Proceeds from the sale of PP&E, investment property and intangible assets	4,710	4,710	4,033	4,033
Proceeds from Short Term Investments (not considered to be cash equivalents)	195,000	195,000	228,600	228,600
Other Receipts from Investing Activities	1,369	1,369	1,992	1,992
Net Cash flows from Investing Activities	(8,708)	(8,722)	(5,227)	(5,227)

Note 28 Cash flows from Financing Activities

	2019/20 £000	2019/20 £000	2018/19 £000	2018/19 £000
Cash Receipts from Short and Long Term Borrowing	3,500	3,500	8,500	8,500
Repayment of Short and Long Term Borrowing	(9,500)	(9,500)	(9,500)	(9,500)
Other payments for Financing Activities	8,725	8,725	(3,685)	(3,685)
Net Cash flows from Financing Activities	2,725	2,725	(4,685)	(4,685)

Note 29 Reconciliation of Liabilities from Financial Activities**2019/20**

	Long Term Borrowing £000	Short Term Borrowing £000
Balance as at 1 April 2019	(104,063)	(6,000)
Cashflows:		
Repayments	0	9,500
Borrowing	0	(3,500)
Balance as at 31 March 2020	(104,063)	0

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 30 Members' Allowances

During the year Members allowances, including employer's costs totalled £226k (2018/19 £149k) and are as follows:

	2019/20 £000	2018/19 £000
Salaries	126	101
Allowances	88	39
Expenses	12	9
Total	226	149

Note 31 External Audit Costs

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors.

	2019/20 £000	2018/19 £000
Housing Benefit Fee Variations 2016/17	0	3
Housing Benefit Fee Variations 2017/18	0	3
Fee Variations agreed for External Audit 2017/18 *	0	5
Fee Variations agreed for External Audit 2018/19 *	13	0
Housing Benefit Audit	24	24
Fees payable with regard to external audit services carried out by the appointed auditor for the year*	53	45
Estimated Additional fees to be incurred **	7	0
Total	97	80

* Please note the fee variations agreed for External audit are in relation to previous years and not 2019/20.

** An accrual has been made for expected additional costs associated with the 2019/20 audit based on previous year costs incurred.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 32 Employees Remuneration

Since 2010/11 the management team has been shared between Redditch Borough Council and Bromsgrove District Council, with each authority being charged 50% of the cost of each post.

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services	2019/20	108,254	15,913	124,167	62,084	62,084
	2018/19	106,131	15,601	121,732	60,866	60,866
TOTAL	2019/20	108,254	15,913	124,167	62,084	62,084
	2018/19	106,131	15,601	121,732	60,866	60,866

Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total £
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2019/20	135,317	19,486	154,803	77,402	77,402
	2018/19	132,664	19,104	151,768	75,884	75,884
Executive Director of Finance & Resources	2019/20	100,134	14,419	114,554	57,277	57,277
	2018/19	98,171	14,137	112,308	56,154	56,154
Head of Legal & Democratic Services	2019/20	82,814	11,925	94,739	47,370	47,370
	2018/19	81,190	11,691	92,881	46,441	46,441
TOTAL	2019/20	318,266	45,830	364,096	182,048	182,048
	2018/19	312,025	44,932	356,957	178,479	178,479

Senior Employees' Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Redditch Borough Council

	2019/20	2018/19
£50,001 to £55,000	0	0
£55,001 to £60,000	2	3
£60,001 to £65,000	1	1
£65,001 to £70,000	1	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	3	1
£85,001 to £90,000	0	2
£90,001 to £95,000	0	0
Total	7	7

Bromsgrove District Council

	2019/20	2018/19
£50,001 to £55,000	2	1
£55,001 to £60,000	9	10
£60,001 to £65,000	2	0
£65,001 to £70,000	0	1
£70,001 to £75,000	0	1
£75,001 to £80,000	0	0
£80,001 to £85,000	1	1
£85,001 to £90,000	0	1
£90,001 to £95,000	1	0
Total	15	15

Exit Packages

The Council had a number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	0	0	4	10	4	10	34,568	59,104
£20,001 - £40,000	0	0	0	2	0	2	0	63,446
£40,001 - £60,000	0	0	0	2	0	2	0	86,809
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	89,872	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0	0	0
£200,000 - £250,000	0	0	1	0	1	0	215,868	0
Total cost included in bandings							340,308	209,359
Recharge to Bromsgrove District Council							(59,492)	0
Cost to Redditch Borough Council							280,816	209,359
Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council							0	19,623
Total cost included in the CIES							280,816	228,982

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 33 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20

Credited to Taxation and Non-Specific Grant Income	2019/20	2018/19
	£000	£000
Revenue Support Grant	0	(35)
New Homes Bonus	(754)	(674)
S31	0	(1,007)
Other Government Grants	(126)	(25)
Capital Grants	(1,124)	(1,649)
Total	(2,004)	(3,390)

Credited to Services	2019/20	2018/19
	£000	£000
Cabinet Office - Individual Electoral Registration	(20)	(14)
MHCLG - Council Tax Support Admin Subsidy	(97)	(98)
MHCLG - Local Plans		0
MHCLG - Cost of Collection	(107)	(106)
MHCLG - Homelessness Grant	(223)	(201)
MHCLG - Town Deal	(173)	0
MHCLG - COVID-19	(13)	0
MHCLG - New Burdens	(11)	(8)
MHCLG - Other Grant Income	(30)	(52)
DWP - Benefit Schemes	(75)	(178)
DWP - Discretionary Housing	(77)	(123)
DWP - Housing Benefit Subsidy	(15,538)	(17,808)
DWP - Housing Benefit Subsidy Admin Grant	(221)	(248)
Bus Grant	(7)	(3)
Worcestershire County Council - Redditch Centre Development	(250)	0
Worcestershire County Council - Positive Activity Fund	(64)	(48)
Sports Partnership	(27)	(20)
Apprenticeship Levy	(4)	(3)
Other Grants	0	(4)
Total	(16,937)	(18,914)

Long-term Liabilities

The Authority has received £839k disabled facilities grant in 2019/20 from the Worcestershire Better Care Fund. £663k was applied in 2019/20 and the balance is yet to be recognised as income as the grant has conditions attached to it that may require the monies to be refunded. The balances at year-end are as follows:

Grants Received in Advance (Capital)	2019/20	2018/19
	£000	£000
Disabled Facilities Grant	(727)	(551)
Total	(727)	(551)

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 34 Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in Note 33.

Members

Members of the Council have direct control over the Council's financial and operating policies . The total of members allowances paid in 2019/20 is shown in Note 30. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

Many Redditch Borough Councillors are also County Councillors and/or elected members of the parish Council.

In 2019/20 all members have completed a register of members disclosable pecuniary interest. A member has declared an interest in the Town Centre Partnership. The Town Centre Partnership have been working with the Council on the Business Improvement District (BID) Scheme where local businesses have voted to invest in the local trading environment of which Redditch Council is a member. A payment of £40k was made to the Town Centre Partnership for BID Planning.

Officers

There were no disclosures made by officers in 2019/20.

Entities Controlled or Significantly Influenced by the Authority

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £558k for hosting Environmental Health and Licensing (£544k in 2018/19)

As part of the shared services with Bromsgrove District Council, Redditch Borough Council received £3,198k (2018/19: £3,210k) for services it hosted and paid £6,107k (2018/19: £6,186k) for services hosted by Bromsgrove.

The Council has been involved in shared service arrangements for Economic Development, Land Drainage and Emergency Planning and Business Continuity with Wyre Forest District Council. The Council has paid £309k (2018/19 £321k) to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove and Wyre Forest for the provision of Building Control. Redditch Borough Council paid Bromsgrove District Council £110k for this service (this figure is included within the shared service figures above).

For the provision of Car Park Services, the Council paid £70k to Wychavon District Council (2018/19 £42k)

Under the Internal Audit Shared Service, the Council paid £91k to Worcester City Council (2018/19 £85k)

In total, the Council received £558k in 2019/20 from Worcestershire County Council for running the Early Help services (£704k in 2018/19).

A shared service arrangement exists between Redditch Borough Council, Bromsgrove District Council and Cannock Chase Council for provision of the Lifeline service. Redditch receive income of £30k for this service.

From 1st September 2015, the Council entered into an arrangement with Place Partnership Limited for the provision of Asset Maintenance, this was terminated 31/03/19. There has been a final payment to them in 19/20 of £12k the cost of the service in 2018/19 was £437k.

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it. The details of the transactions between the Council and Rubicon Leisure can be seen in note 23.

Outstanding creditors and debtors balances with above named entities

Service	Council	Value of service in 2019-20	Payment due from RBC as 31/03/2020	Receipt due to RBC at 31/03/2020
Car Parking services	Wychavon District Council	70	21	16
NWEDR	Wyre Forest	309	79	0
Internal audit	Worcester City Council	91	17	0
Early help services	Worcester County council	(558)	0	73
Lifeline Service	Bromsgrove District and Cannock Chase	(30)	0	0

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 35 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement	139,589	138,586
Capital Investment		
Property, Plant and Equipment	9,232	6,610
Intangible Assets	580	0
Heritage Assets	0	0
Long Term Debtors	38	30
Revenue Expenditure Funded from Capital under Statute	715	575
Total Capital investments	10,565	7,215
Sources of finance		
Capital receipts	(2,744)	(1,293)
Government grants and other contributions	(874)	(635)
Major Repairs Allowance	(2,194)	(1,876)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	0	0
HRA	(2,913)	(1,599)
Minimum Revenue Provision	(851)	(809)
Total Sources of Finance	(9,576)	(6,212)
Long Term Debtors previously financed through CFR	0	0
Closing Capital Finance Requirement	140,578	139,589
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	989	1,003
Increase/(decrease) in Capital Financing Requirement	989	1,003

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 36 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority as lessee)

The Rubicon Centre is leased with a remaining lease period to 31st July 2023 with the option of a break on 31st July 2021. This is a business centre sublet to small businesses. The expenditure and income charged to the services in the CIES during the year are set out below:

	2019/20	2018/19
	£000	£000
Minimum lease payments	240	263
Less: Sublease payments receivable	(117)	(157)
Total	123	106

The Council leases multifunctional devices (MFD's) through a lease that commenced in 2018/19 for an initial period until 31st July 2021 and an option to extend to 31st July 2023. The future minimum payments under non-cancellable operating leases in future years are set out below:

	2019/20	2018/19
	£000	£000
Minimum lease rentals payable:		
No later than 1 year	43	38
Later than 1 year and no later than 5 years	10	48
Total	53	86

Finance Leases

The Council has no finance leases.

Authority as Lessor:

Operating Leases

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and

- for the provision of community services, such as sports and community facilities
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2020	31/03/2019
	£000	£000
No later than 1 year	363	349
Later than 1 year and no later than 5 years	1,263	1,179
Later than 5 years	1,681	1,548
Total	3,307	3,076

The 2019/20 passing rent was £592k.

Finance Leases

The Council has no finance leases.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 37 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- * The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- * Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- * The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Worcestershire County Council. Policy is determined in accordance with the Public Service Pensions Act 2013.
- * The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,217	3,039	0	0
Past service cost and Curtailments	732	860	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,643	1,457	91	97
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,592	5,356	91	97

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	8,101	(1,421)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(5,316)	0	(94)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(3,165)	8,763	(41)	130
Actuarial (gains)/losses from experience	(3,589)	0	(318)	
Other	37	(47)	0	0
Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(3,932)	7,295	(453)	130
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	1,660	12,651	(362)	227

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,592)	(5,356)	(91)	(97)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	3,499	3,438		
Retirement benefits payable to pensioners			276	256

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Present value of the defined obligation	(168,639)	(177,159)	(3,237)	(3,875)
Fair value of plan assets	97,781	104,462	0	0
Net liability arising from the defined benefit obligation	(70,858)	(72,697)	(3,237)	(3,875)

Net Liability and Pension Strain	Local Government Pension Scheme	
	2019/20 £000	2018/19 £000
Local Government Pension Scheme	(70,858)	(72,697)
Discretionary Benefits	(3,237)	(3,875)
Sub-total	(74,095)	(76,572)
Advance Payment of Pension Contributions	0	3,642
Net liability arising from the defined benefit obligation	(74,095)	(72,930)

The present value of the defined obligations includes as an estimated cost following the decision of the Sargeant/McCloud cases (generally referred to as McCloud) which rules that the transitional protections offered to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes including the Local Government Pension Scheme. However, whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

In April 2017 the Council made an advance payment of pension contributions 2017/18 to 2019/20 to the Pension Fund in order to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31st March 2019 the Pension Liability is £3,642k lower than the Pension Reserve representing the advance payment relating 2019/20. An advance payment for the financial years 2020/21 to 2022/23 was made on 30th April 2020, after the financial year end, and therefore there is no adjustment required for the year ended 31st March 2020.

It is anticipated that the future value of Pension Fund investments may be exposed to increased market volatility as a result of COVID-19 and this 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 Worcestershire Pension Fund Accounts provide more specific detail regarding the impact of COVID-19 in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening fair value of scheme assets	104,462	102,988	0	0
Interest income	2,558	2,778		
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	(8,101)	1,421		
Removal of Place Partnership Assets	0	(1,346)		
Contributions from employer	3,499	3,438	276	256
Contributions from employees into the scheme	600	612		
Benefits/transfers paid	(5,200)	(5,392)	(276)	(256)
Administration costs	(37)	(37)		0
Closing value of scheme assets	97,781	104,462	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening balance at 1 April	(177,159)	(166,387)	(3,875)	(3,904)
Current service cost	(3,217)	(3,039)		
Interest cost	(4,201)	(4,235)	(91)	(97)
Contributions from scheme participants	(600)	(612)		
Remeasurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	5,316		94	
Actuarial gains/(losses) from changes in financial assumptions	3,165	(8,763)	41	(130)
Experience (gains/losses)	3,589		318	
Removal of Place Partnership liabilities	0	1,345		
Past service cost	(726)	(974)		
Losses/(gains) on curtailments where relevant	(6)	114		
Liabilities assumed on entity combinations				
Benefits/transfers paid	5,200	5,392	276	256
Balance as at 31 March	(168,639)	(177,159)	(3,237)	(3,875)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2020 £000	31/03/2019 £000
Cash and cash equivalents	586	2,402
Equities:		
UK quoted	195	211
Overseas quoted	23,663	27,579
PIV - UK managed	12,321	13,999
PIV - UK managed (overseas)	32,756	33,322
PIV - Overseas managed	98	0
Sub-total equity	69,033	75,111
Bonds:		
UK Corporate	391	313
Overseas Corporate	4,498	4,805
UK Government Fixed	7,041	8,461
Overseas Government	98	0
Sub-total bonds	12,028	13,579
Property:		
European Property Fund	2,249	2,716
UK Property Debt	685	940
Overseas Property Debt	489	627
UK Property Funds	2,053	2,298
Overseas REITs	195	0
Sub-total property	5,671	6,581
Alternatives		
UK Infrastructure	4,792	2,760
European Infrastructure	2,640	1,985
US Infrastructure	1,760	313
UK Stock Options	685	731
Overseas Stock Options	(587)	0
Corporate Private Debt	1,173	0
Sub-total alternative funds	10,463	5,789
Total assets	97,781	103,462

All scheme assets have quoted prices in active markets

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.6	22.8	22.6	22.8
Women	25.0	25.8	25.0	25.8
<i>Longevity at 65 for future pensioners:</i>				
Men	24.2	25.1	24.2	25.1
Women	27.0	28.2	27.0	28.2
Financial assumptions:				
Rate of inflation	2.1%	2.2%	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Discount Rate	2.4%	2.4%	2.4%	2.4%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	4,710	(4,710)
Rate of inflation (increase or decrease by 0.1%)	2,722	(2,722)
Rate of increase in salaries (increase or decrease by 0.1%)	246	(246)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,680)	2,680
Change in 2019/20 investment returns (increase or decrease by 1%)	(997)	997

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Actuarial Valuation as at 31st March 2019 the average recovery period is 15 years for correcting the imbalance between existing assets and past service liabilities. Funding levels are monitored at each Actuarial Review.

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

The weighted average duration of the defined benefit obligation for scheme members is 16 years (2018/19 18 years).

In April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2017/18-2019/20 and 90% of the expected pension contributions for current employees for the same period. The advance payment concluded in 2019/20. On 30th April 2020 a further advance payment of £8,744k was made covering 2020/21 to 2022/23 which will achieve a discount of £539k over the three years compared with making monthly payments.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 38 **Contingent Liabilities**

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

The valuation listing for Business Rates was revised in 2017 and there is uncertainty surrounding the impact of this for the new check, challenge, appeal process. A provision has been made for potential Business Rates Appeals based on the known appeals made at year end, no provision has been made for appeals that have not yet been lodged as the Council are unable to make an estimate on the value of what these may be.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

Note 39 **Contingent Assets**

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

There are no Contingent Assets as at 31 March 2020.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 40 Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks 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 Council the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

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

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds and real estate investments	£2.5m per fund or trust				

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the DMADF are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Debtors

At 31st March 2020, Redditch Borough Council had investments of £9,750k and held £1,445k in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2020 is shown in the table below:

	2019/20 £000	2018/19 £000
Less than three months	561	1,839
Three to six months	87	61
Six months to one year	72	56
More than one year	487	157
Total	1,207	2,113

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of borrowings is summarised as follows:

	2019/20 £000	2018/19 £000
Less than one year	0	6,000
Between one & five years	0	0
More than five years	103,929	103,929
	103,929	109,929

The Council has been able to benefit from borrowing on a short-term basis at low rates from other local authorities.

Included within the long-term borrowing is a £5,000k loan due to mature in 2032 with an interest rate of 4.71%. In addition, the Council has borrowings of £98,929k in order to fund the Housing Settlement payment, secured through the Public Works Loan Board with maturities between 2032 and 2042.

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2019/20, the Council had no variable long term investments or borrowings.

Price Risk

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.

Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2020

Housing Revenue Account for the year ended 31st March

	2019/20	2018/19
	£000	£000
Expenditure		
Repairs & Maintenance	(6,275)	(6,211)
Supervision & Management	(8,292)	(8,062)
Rents, Rates, Taxes and other charges	(172)	(429)
Depreciation, impairments and revaluation losses of non-current assets	(5,938)	(1,725)
Debt Management Costs	(9)	(5)
Movement in the allowance for bad debts	(88)	(118)
Total Expenditure	(20,774)	(16,550)
Income		
Dwelling rents	22,983	22,833
Non-dwelling rents	541	509
Charges for services and facilities	630	920
Flexible Use of Capital Receipts	100	0
Capitalisation of System Implementation Team	79	0
Contributions towards Supported Housing	54	129
Total Income	24,387	24,391
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	3,613	7,841
HRA Services Share of Corporate & Democratic Core	(682)	(743)
Net Expenditure of HRA Services	2,931	7,098
Gains/(loss) on sale of HRA Fixed Assets	782	724
Interest Payable and Similar Charges	(4,185)	(4,174)
HRA Interest and Investment Income	143	106
Net interest on the defined benefit liability (asset)	(975)	(814)
Surplus or (Deficit for Year) on HRA Services	(1,304)	2,940

In 2018/19 there was a revaluation increase of £21,890k of housing revenue account Council dwellings. The remaining sum to fully reverse historic deficits was £4,546k and this was credited through the housing revenue income and expenditure account under the heading depreciation, impairments and revaluation losses of non current assets. Now that the revaluation losses have been fully recovered all revaluation increases are credited to the revaluation reserve.

Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2020

Movement on the HRA Statement

	2019/20 £000	2018/19 £000
Balance on the HRA at the end of the previous year	770	1,475
Surplus or (Deficit) on the HRA Income and Expenditure Statement	(1,304)	2,940
Adjustments between accounting basis and funding basis under statute	(1,699)	(5,244)
Net Increase or (Decrease) before transfers to or from reserves	(3,003)	(2,304)
Transfers (to)/from Reserves	2,977	1,599
Increase or (decrease) on the HRA for the year	(26)	(705)
Balance on the HRA at the end of the current year	744	770

Notes to the Housing Revenue Account

	2019/20 £000	2018/19 £000
Transfers to/(from) the Capital Adjustment Account	5,938	1,725
Gain or loss on sale of HRA non current assets	(782)	(724)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0
HRA Share of Contributions to or from the Pension Reserve	1,927	1,625
Transfers to/(from) Major Repairs Reserve	(5,869)	(6,271)
Capital expenditure funded by the HRA	(2,913)	(1,599)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,699)	(5,244)

Transfers to/from Reserves

	2019/20 £000	2018/19 £000
Transfers (to)/from earmarked reserves	2,977	1,599
Total Transfers	2,977	1,599

Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2020

Notes to the Housing Revenue Account

Current Year

	Property, Plant & Equipment (PP&E)						TOTAL				
	Council Dwellings		Buildings		Vehicles, Plant & Equipment			Surplus Assets	Total PP&E	Intangible Assets	TOTAL
	£000	£000	£000	£000	£000	£000					
Cost or Valuation											
Balance as at 1 April 2019	279,531	3,775	534	1,500	285,340	86	285,426	86	285,426	7,614	
Additions	7,271	0	0	0	7,271	343	7,614	343	7,614	0	
Donations	0	0	0	0	0	0	0	0	0	0	
Revaluation increases to Revaluation Reserve	13,114	0	0	10	13,124	0	13,124	0	13,124	0	
Revaluation increases to Surplus or Deficit on the Provision of Services	80	(149)	0	0	(69)	0	(69)	0	(69)	0	
Derecognition - Disposals	(3,432)	0	0	0	(3,432)	0	(3,432)	0	(3,432)	0	
Balance as at 31 March 2020	296,564	3,626	534	1,510	302,234	429	302,663	429	302,663		
Depreciation and Impairment											
Balance as at 1 April 2019	(12)	0	(297)	0	(309)	(17)	(326)	(17)	(326)		
Depreciation Charge	(5,596)	(152)	(104)	0	(5,852)	(17)	(5,869)	(17)	(5,869)		
Depreciation written out on Revaluation Reserve	5,596	152	0	0	5,748	0	5,748	0	5,748		
Balance as at 31 March 2020	(12)	0	(401)	0	(413)	(34)	(447)	(34)	(447)		
Net Book Value											
Balance as at 31 March 2020	296,552	3,626	133	1,510	301,821	395	302,216	395	302,216		
Balance as at 31 March 2019	279,519	3,775	237	1,500	285,031	69	285,100	69	285,100		

Comparative Year

	Property, Plant & Equipment (PP&E)						TOTAL				
	Council Dwellings		Buildings		Vehicles, Plant & Equipment			Surplus Assets	Total PP&E	Intangible Assets	TOTAL
	£000	£000	£000	£000	£000	£000					
Cost or Valuation											
Balance as at 1 April 2018	262,170	3,800	534	1,500	268,004	86	268,090	86	268,090		
Additions	4,761	0	0	0	4,761	0	4,761	0	4,761		
Revaluation increases to Revaluation Reserve	11,227	(25)	0	0	11,202	0	11,202	0	11,202		
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	4,546	0	0	0	4,546	0	4,546	0	4,546		
Derecognition - Disposals	(3,093)	0	0	0	(3,093)	0	(3,093)	0	(3,093)		
Derecognition - Other	(80)	0	0	0	(80)	0	(80)	0	(80)		
Balance as at 31 March 2019	279,531	3,775	534	1,500	285,340	86	285,426	86	285,426		
Depreciation and Impairment											
Balance as at 1 April 2018	(12)	0	(184)	0	(196)	0	(196)	0	(196)		
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0	0	0	0		
Adjusted opening balance	(12)	0	(184)	0	(196)	0	(196)	0	(196)		
Depreciation Charge	(5,995)	(146)	(113)	0	(6,254)	(17)	(6,271)	(17)	(6,271)		
Depreciation written out on Revaluation Reserve	5,995	146	0	0	6,141	0	6,141	0	6,141		
Balance as at 31 March 2019	(12)	0	(297)	0	(309)	(17)	(326)	(17)	(326)		
Net Book Value											
Balance as at 31 March 2019	279,519	3,775	237	1,500	285,031	69	285,100	69	285,100		
Balance as at 31 March 2018	262,158	3,800	350	1,500	267,808	86	267,894	86	267,894		

Dwellings within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out annually valued at 1 April each year.

The vacant possession value (open market value) of Council dwellings as at 31 March 2019 was £703,522k. This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2020

Notes to the Housing Revenue Account

Housing Stock

The number of dwellings in the Authority's housing stock, as at 31 March 2020, totalled 5685 properties. The type of properties are analysed below:

Property Type	2019/20	2018/19
	Number	Number
Property Type		
Flats and Maisonettes		
1 Bed	1,543	1,550
2 Bed	535	537
3 Bed	30	31
Sub-Total	2,108	2,118
Non Permanent	41	41
Sub-Total	41	41
Houses / Bungalows		
1 Bed	654	655
2 Bed	872	871
3 Bed	1,846	1,868
4 or More	164	163
Sub-Total	3,536	3,557
Total Dwellings 31 March	5,685	5,716

Housing Revenue Account Capital Expenditure

	2019/20	2018/19
	£000	£000
Capital investment		
Operational assets	7,271	4,761
Intangible Assets	343	0
	7,614	4,761
Sources of funding		
Capital Receipts	2,507	1,286
Major Repairs Reserve	2,194	1,876
Direct Revenue Financing	2,913	1,599
	7,614	4,761

Rent Arrears

During 2019/20 total rent arrears remaining broadly the same, a summary of rent arrears and prepayments are shown in the following table:

	2019/20	2018/19
	£000	£000
Current Tenant Arrears	805	713
Former Tenant Arrears	296	335
Total Rent Arrears	1,101	1,048
Prepayments	(553)	(404)
Net Rent Arrears	548	644

The rent arrears and prepayments exclude supporting people balances.

Depreciation and Impairment of Non-Current Assets

	2019/20		2018/19	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,596	0	5,995	0
Other Land and Buildings	152	0	146	0
Vehicles, Plant, Furniture and Equipment	104	0	113	0
Intangible Assets	17	0	17	0
Total	5,869	0	6,271	0

Transactions relating to retirement benefits

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Worcestershire Local Government Pension Fund administered by Worcestershire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

	2019/20	2018/19
HRA Income & Expenditure Account	£000	£000
Current Service Cost	3,136	2,452
Past Service Costs	412	737
Net interest expense	975	814
Total	4,523	4,003
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(2,596)	(2,378)
Movement on Pension Reserve	1,927	1,625

Total Capital Receipts Generated during the year

	2019/20	2018/19
	£000	£000
Council Houses	4,298	3,978
Other Property	1	2
Sub Total	4,299	3,980
Disposal Costs	(85)	(83)
Total HRA capital receipts	4,214	3,897

Redditch Borough Council

Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2020

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council tax and non-domestic rates.

2018/19			Collection Fund	2019/20		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(45,357)	(45,357)	Council Tax Receivable		(48,125)	(48,125)
(34,799)		(34,799)	Business Rates Receivable	(34,490)		(34,490)
(34,799)	(45,357)	(80,156)	Total amounts to be credited	(34,490)	(48,125)	(82,615)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
2,799		2,799	Central Government	(3,869)		(3,869)
2,240	167	2,407	Redditch Borough Council	(3,095)	14	(3,081)
504	849	1,353	Worcestershire County Council	(696)	74	(622)
56	59	115	Hereford and Worcestershire Fire and Rescue	(77)	5	(72)
	137	137	Police and Crime Commissioner for West Mercia		12	12
			Precepts, demands and shares			
16,791		16,791	Central Government	8,110		8,110
13,432	6,106	19,538	Redditch Borough Council	0	6,249	6,249
3,022	31,593	34,615	Worcestershire County Council	24,006	32,901	56,907
336	2,134	2,470	Hereford and Worcestershire Fire and Rescue	324	2,201	2,525
	5,135	5,135	Police and Crime Commissioner for West Mercia		5,654	5,654
			Charges to Collection Fund			
1,517	193	1,710	Write-offs of uncollectable amounts	0	0	0
(1,417)	283	(1,134)	Increase/(decrease) in allowance for impairment	254	576	830
1,399		1,399	Increase/(decrease) in allowance for appeals	(3,222)		(3,222)
1,181		1,181	Transitional Protection Payments Payable	880		880
			Charges to General Fund			
106		106	Charge to General Fund for allowable collection costs for non-domestic rates	106		106
41,966	46,656	88,622	Total amounts to be debited	22,721	47,686	70,407
7,167	1,299	8,466	(Surplus) /deficit arising during the year	(11,769)	(439)	(12,208)
(689)	(1,331)	(2,020)	(Surplus)/deficit b/f at 1 April	6,478	(32)	6,446
6,478	(32)	6,446	(Surplus)/deficit c/f at 31 March	(5,291)	(471)	(5,762)

Redditch Borough Council

Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2020

Note 1 - Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable.)

FOR THE YEAR ENDED 31 MARCH 2020

Band	Valuation band limits	Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
	£	£				
			19	13.10	5/9	7.28
A	Up to & including 40,000		7,656	4,734.60	6/9	3,156.40
B	40,001 - 52,000	52,000	11,943	9,450.00	7/9	7,350.00
C	52,001 - 68,000	68,000	7,474	6,538.70	8/9	5,812.18
D	68,001 - 88,000	88,000	4,286	3,899.70	9/9	3,899.70
E	88,001 - 120,000	120,000	3,219	3,045.30	11/9	3,722.03
F	120,001 - 160,000	160,000	1,189	1,133.10	13/9	1,636.70
G	160,001 - 320,000	320,000	462	444.80	15/9	741.33
H	More Than 320,001	320,001	18	17.00	18/9	34.00

Adjustment 0.99

Council tax base 26,096.03

FOR THE YEAR ENDED 31 MARCH 2019

Band	Valuation band limits	Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
	£	£				
			15	10.02	5/9	5.60
A	Up to & including 40,000		7,627	4,720.12	6/9	3,146.75
B	40,001 - 52,000	52,000	11,913	9,489.27	7/9	7,380.54
C	52,001 - 68,000	68,000	7,383	6,510.57	8/9	5,787.17
D	68,001 - 88,000	88,000	4,249	3,914.50	9/9	3,914.50
E	88,001 - 120,000	120,000	3,162	3,037.62	11/9	3,712.65
F	120,001 - 160,000	160,000	1,157	1,104.72	13/9	1,595.71
G	160,001 - 320,000	320,000	462	446.65	15/9	744.42
H	More Than 320,001	320,001	18	17.04	18/9	34.08

Adjustment 0.99

Council tax base 26,058.20

The breakdown above is for Redditch Borough Council only, below is the total payable for band D equivalent for the district for all Preceptors:

	2019/20 £	2018/19 £
Redditch Borough Council	239.15	234.00
Worcestershire County Council	1,260.75	1,212.38
Police and Crime Commissioner for West Mercia	216.66	197.07
Hereford and Worcestershire Fire and Rescue	84.34	81.90
Total Council Tax for non parish areas	1,800.90	1,725.35
Feckenham Parish Council	22.43	22.30
Total Council Tax for Feckenham	1,823.33	1,747.65

Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2019/20 the rate poundage was 50.4p (49.3p 2018/19). The reason for the rate poundage reduction was a national revaluation of rateable values effective from 1 April 2018 and the poundage was set to achieve the same national yield. The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value at 31 March 2020 was £81,399,320 (31 March 2019 £81,437,804).

For 2019/20 The Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement on Page 91.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average Council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

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

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital.

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.