



**DRAFT**  
**STATEMENT OF ACCOUNTS**  
**2021/22**



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# NARRATIVE REPORT

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## Introduction

Local Authority accounts, like those of any organisation, are prepared to comply with a series of rules and conventions set by the accounting profession. However, for Local Authorities there are many types of transaction where the law, which takes precedence, requires a different treatment from the accounting rules. This effectively means that local authorities are trying to simultaneously fulfil two conflicting sets of rules when preparing their accounts.

This conflict is addressed by having authorities present a set of financial statements which comply with the accounting rules, followed by a reconciliation of those statements to the accounts as prepared under the legal rules. This reconciliation essentially takes the form of a list of adjustments for items which must be in the accounts per the accounting rules but are not allowed in them under law, and vice versa. It is the legal rules that must be used when calculating budget requirements, council tax and housing rents.

As a result, all the Council's internal reporting and decision-making is based purely on accounts prepared under the legal rules. The only time it prepares accounts that comply with the accounting rules is when it prepares this document. It is crucial to bear this in mind when reading the statements.

The Statement of Accounts brings together the major financial statements for the financial year 2021/22. The statements and the notes that accompany them give a full and clear picture of the financial position of Redditch Borough Council.

The sections are:

- **Narrative Report** – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery
- **Statement of Responsibilities** – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- **Movement in Reserves Statement** – The movement in the year on the different reserves held by the Council
- **Comprehensive Income and Expenditure Statement** – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- **Balance Sheet** – The value of the assets and liabilities recognised by the Council and the Group as at 31<sup>st</sup> March 2022
- **Cash Flow Statement** – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Notes to the Financial Accounts** – The Statements are supported by technical notes
- **The Collection Fund and Notes** – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- **Group Accounts** - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences
- **Housing Revenue Account** - The housing revenue account is a ring-fenced account used to manage our (council owned) housing stock of some 5,600 properties. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account
- **Governance Statement** - The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively
- **Internal Auditors Report** – Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts
- **Glossary**

# NARRATIVE REPORT

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These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2021/22 (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 Borough Council.

## Our District

Redditch Borough Council sits within the West Midlands. It has a population of 84,000 over an area of 21 square miles. It has 41,000 homes and businesses and 29 Councillors over 12 Wards (the present boundary review will reduce this to nine wards and 27 Councillors).

The Borough has an above-average number of young families; is densely populated other than outlying areas such as Feckenham; has major employment in 'traditional' manufacturing; has areas of significant deprivation; and average median incomes.

Local Councillors are elected by the community to decide how the Council should carry out its various activities. Elections are held every year for three years, with up to 10 seats contested at a time. with no election in fourth year. All out elections will be held in 2024. The council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the executive committee, which is chaired by the Leader of the Council. The executive committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

The Council, along with Bromsgrove District Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

The Council's vision is "To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of efficiently-run, high quality services that ensure those most in need receive the appropriate help, support and opportunities."

## Strategic Purpose

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 to understand what goes on in our communities and have considered how we collaborate with partners to support the issues within those communities.

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



## National Position

The impact of both Covid-19 and Brexit are amongst the most significant economic events which are currently facing the UK.

In March 2020, Covid-19 was declared a global pandemic. The impact on both the local and national economy cannot be determined with any accuracy but is likely to have a significant impact on the economy, particularly as government financial assistance ends such as furlough and business grants and the country begins to recover from covid.

The UK formally left the European Union on 31 January 2020 with a transition period that lasted until the end of December 2020. It is currently difficult to quantify what the impact has been on the council, but the most obvious implications are to importing goods.

The uncertainties about future economic conditions make medium term financial planning even more challenging for the Council. The Council will continue to monitor the impact and provide updates.

## Financial Performance

The following items have had an impact on the 2021/22 Financial Statements.

## Organisational Performance

Following the issuing of a Section 24 Notice in 2019, Members have shown through approvals that have been made to enable the balanced budget for 2021/22 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 year's performance and places the Council in a strong position moving forwards.

The Council implemented a new financial system on the 8 February 2021. This severely impacted the Council's ability to report financially during the 2021/22 financial year with the only reported financial monitoring being for period 11. Because of this, and the impact this has had on the delivery of the 2020/21 accounts, in November 2022 the External Auditors issued a further S24 Statement linked to the late delivery of the 2020/21 Accounts and the associated impact this had on the robustness of financial information until those accounts were presented and fully audited. This also impacted the delivery of these accounts. Since April 2022 the Council, with Redditch, have been operating a financial recovery plan to rectify this situation. This is reflected in the Governance Statement.

# NARRATIVE REPORT

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## Governance

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.

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors
- A transparent decision-making process through Council, Executive, Planning 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.

## Reserves, Financial Performance and Financial Position

### Financial Outlook

The Medium-Term Financial Plan 2021/22 – 2023/24 was approved by Council on 22 February 2021 and 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 three years. This has been exacerbated in 2021/22 by the Covid-19 pandemic, where we have seen significant drops of income and one-off Government Grant funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

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

- £1.259m additional support for Rubicon in 2021/22
- Investment in the Redditch Local Plan at £150k in 21/22 rising to £182k in 23/24

The main source of income continues to be Council tax. The Chancellors' 2021 update now allows Councils to increase Council Tax by 1.99% or £5 per annum without a referendum. The medium-term financial plan assumes a further 1.99% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a slight surplus (£44k) in 2021/22 but needs to address a shortfall in future years ranging from £0.261m in 2022/23 to £0.761m in 2023/24 to avoid using general reserves to balance the budget. Indeed, if these deficits are not addressed then General Fund Reserves fall from a relatively low level of £1.8m to a dangerously low level of £0.852m by the 1 April 2024.

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	2021-22 £000	2022-23 £000	2023-24 £000
<b>Departmental base budget</b>	9,907	10,142	10,358
Incremental Progression/HRA recharge	-98	-57	-355
Unavoidable Pressures	1,393	58	65
Revenue Bids/Revenue impact of capital bids	230	244	224
Savings and Additional income	-1,163	-524	-545
Changes in Specific Grant/Funding Movements	198	200	304
<b>Net Revenue Budget Requirement</b>	<b>10,467</b>	<b>10,064</b>	<b>10,051</b>
<b>FINANCING</b>			
Reserve release	-702	-100	0
Lower Tier Services Grant	-400	0	0
Business Rates Net Position	-2,940	-2,985	-2,985
Council Tax	-6,517	-6,746	-6,941
Collection Fund Deficit (Council Tax)	63	0	0
New Homes Bonus	-334	-209	0
Investment Income	-812	-912	-1,012
MRP (Principal)	955	1,035	1,288
Interest payable	355	415	420
Discount on advanced pension payment	-179	-301	-60
<b>Funding Total</b>	<b>-10,511</b>	<b>-9,802</b>	<b>-9,290</b>
<b>General Balances</b>			
	2021-22 £000	2022-23 £000	2023-24 £000
Estimated opening balances 21/22 (projected)	1,831	1,875	1,613
Contribution (from) / to General Balances	44	-261	-761
<b>Closing Balances</b>	<b>1,875</b>	<b>1,613</b>	<b>852</b>

### 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.

Internal Audit issued a report in June 2021 with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given. The Council acknowledged that there was a risk management system in place, and there were areas of good practice. However, this was not uniform across the Council. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils. Therefore, an action plan was put in place that:

- Set up a quarterly officer Risk Board, with representatives of each service area.
- That the 4Risk system (used for logging and mitigating risks) be fully updated and reviewed at these quarterly meetings.
- Ensured that the Corporate Management Team (CMT) and the Audit Committee, be updated by way of a quarterly report on progress and review the Council's Corporate and Departmental Risks.

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The most significant risk the Council faces is the implementation of its new financial system, which went live on 8 February 2021 and has impacts that are set out in the Governance Statement.

### Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 18. This demonstrates to Council taxpayers 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 2021/22 is shown below:

	2021/22 Full Year Budget	2021/22 Working Budget	2021/22 Actual	2021/22 Outturn Variance
Business Transformation & Organisational Development	1,691,534	1,629,534	1,389,154	-240,380
Community & Housing GF Services	1,593,055	901,885	991,157	89,272
Corporate Services	-2,325,036	-2,325,036	-2,752,965	-427,929
Environmental Services	2,754,034	2,754,034	3,122,261	368,227
Financial & Customer Services	1,927,215	1,397,003	2,176,160	779,157
Legal, Democratic & Property Services	2,148,378	2,148,378	1,754,979	-393,399
Planning, Regeneration & Leisure Services	1,240,592	1,177,268	988,827	-188,441
Regulatory Client	371,756	371,756	316,946	-54,810
Rubicon Client	1,134,857	1,134,857	1,103,640	-31,217
Starting Well	-32,000	-32,000	-59,009	-27,009
<b>Overall Total</b>	<b>10,504,385</b>	<b>9,157,679</b>	<b>9,031,150</b>	<b>-126,529</b>

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 and the Expenditure and Funding Analysis. As an example, the management accounts would record and manage any direct revenue financing of capital

## NARRATIVE REPORT

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expenditure within the strategic priority, but this would be recorded as other income and expenditure in the Expenditure and Funding Analysis.

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

### **Business Transformation & Organisational Development – outturn position £240k underspend**

Within Business Transformation & Organisational Development there are three budgets in particular that have a significant forecast outturn variance against budget:

- Human Resources underspend of £48k – the most significant factor in this is the Corporate Training underspend.
- ICT underspend of £75k – due to vacant posts and savings on ICT purchases.
- Corporate Staff Costs underspend of £83k – this is due to vacant posts.

The remaining £34k is various smaller under/overspends within the service.

### **Community and Housing General Fund Services - outturn position £89k overspend**

Within Community and Housing General Fund Services, there is an overspend of £89k. £39k of this is due to Shopmobility and £65k due to Community Safety - this is made up of vacancy and pension savings, including the Community Services Manager Post and CCTV shared services savings. There are small underspends amounting to £15k.

### **Corporate Services - outturn position £428k underspend**

Within Corporate Services the 'Corporate' service areas has an underspend of £264k. This is made up of additional external audit fees of £46k together with unallocated savings of £310k. There is an underspend on Pension Costs amounting to £129k due to vacancies. There are a number of other smaller underspends within the service amounting to £35k.

### **Environmental Services – outturn position £368k overspend**

Within Environmental Services there are three services areas with significant forecast underspends against budget.

- Tree Team overspend of £100k.
- Waste Operations overspend of £108k – This is due to the requirement for additional agency staff during the pandemic and additional costs of an aging fleet.
- Crossgate Depot overspend of £206k.

There are a number of various underspends within the service amounting to £46k.

### **Financial & Customer Services – outturn position £779k overspend**

Within Financial & Customer Services there are three services areas with significant forecast outturn variances against budget.

- Financial Services have an overspend of £230k. Although there are significant vacancies in this area, there has also been the need to employ temporary staff. This includes resources working on the continued implementation of the financial system.
- Insurance has an overspend of £153k.
- There is a £190k overspend on Council Tax arrears collection due to no court proceedings taking place.

There is a £206k overspend on Rent Rebates & Allowances due to subsidy.

### **Legal, Democratic and Property Services – outturn position £393k underspend**

Within Legal, Democratic and Property Services there are two services areas with significant forecast outturn variances against budget.

- Facilities Management underspend of £212k. Most of this underspend is on repairs & maintenance and utilities. It is suggested as part of closure that some of this sum is moved to a future reserve for utilities due to significant price increase which will require a future bid later in the year.

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- Elections had an underspend of £87k and Members Services had an underspend of £22k due to Covid-19.

There are various other smaller underspends within the service amounting to £94k.

## **Planning, Regeneration and Leisure Services – outturn position £188k underspend**

The overall underspend position in this directorate is £188k although there are several services areas with significant forecast outturn variances against budget:

- Building Controls underspend position of £133k is due to the generation of additional income.
- The Economic Development underspend of £107k is due to staffing vacancies which have been filled in 2022/23.
- Arts and Events Management underspend of £35k due to Covid-19.
- NWEDR overspend of £152k due to additional expenditure on Planning Enforcement.

There are various other smaller underspends within the service amounting to £65k.

## **Regulatory Client – outturn position £55k underspend**

A £55k underspend on the Regulatory Client due to increased General Licencing and Taxi licensing income.

## **Rubicon Client – outturn position £31k underspend**

The original base budget was £1.135m in 2021/22 due to Covid-19 pressure in the Arts and Leisure sector. Initially Rubicon was projecting a significant overspend above this level but in the second half of the year this has reduced to a £31k underspend. Indeed, in January £120k of Covid-19 Grant Funding was earmarked to support this potential overspend in the 2020/21 Outturn Report, but this will now not be required.

## **Starting Well – outturn position £27k underspend**

Starting Well is showing a small underspend due to Covid-19 funding received.

## **Reserves**

The over/underspend position has resulted in the Council's General Fund position increasing/decreasing from an opening position of £3.409m to a closing balance of £11.676m.

Earmarked reserves have increased from an opening position of £16.303m to a closing position of £17.619m.

## **Capital**

The outturn report set out that expenditure was £4.993m against capital budgets of £13.323m approved for the year. This is an £8.330m underspend. The Medium-Term Financial Plan (MTFP) already requested £16.152m be slipped to future years.

There have been significant underspends in capital during the year. This has been due to delayed starts in projects and slower spend than anticipated.

## **Housing Revenue Account (HRA)**

The Housing Revenue Account for 2021/22 is showing an overspend of £0.071m and this represents an actual contribution to HRA balances of £0.025m in comparison to the budget which was set at £0.096m contribution from HRA balances.

The major variances as follows:

- Income generated was actually £326k less than budget due to higher than budgeted void losses and right to buy sales along with reduced income from personal care/support charges at St Davids.

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- Repairs & Maintenance underspend of £163k due to vacant posts & reduced volume of R&M works due to Covid lockdowns.
- Supervision & Management underspend of £375k due to vacant posts pending operational review and reduced consultancy/professional fees.
- Provision for Bad Debts has increased provision of £175K in arrears especially former tenants due to economic conditions prevailing.
- Depreciation and Impairment of Fixed Assets shows a £48k overspend due to an increase in asset valuations.

### Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

#### The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment or reduce local taxation, and "unusable" which must be set aside for specific purposes. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movement in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase or decrease line shows the statutory general fund balance movements in the year following those adjustments.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2022.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long-term liabilities).

#### The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money. Business Rates is distributed to Central Government, Worcestershire County Council and Redditch Borough Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner, Redditch Borough Council and the Town & Parish Councils within the Redditch district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

#### The **Housing Revenue Account**

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## Statement of Responsibilities

### The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority. In this Authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

### The Chief Finance Officer's responsibilities

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

In preparing this statement of accounts, the Chief Finance Officer 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 Chief Finance Officer has also:

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

## CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2022.

..... Date: .....

Director of Finance and Resources (Chief Finance Officer)

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit, Governance and Standards Committee.

..... Date: .....

Chair

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.

	Notes	2021/22			2020/21		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Business Transformation and Organisational Development		2,092	(592)	1,500	2,034	(373)	1,661
Community and Housing GF Services		4,947	(3,820)	1,127	4,363	(3,004)	1,359
Corporate Services		1,611	(6,034)	(4,423)	2,519	(6,644)	(4,125)
Environmental Services		6,286	(2,642)	3,644	5,835	(2,679)	3,156
Financial and Customer Services		25,614	(22,201)	3,413	37,726	(37,451)	275
Housing Revenue Account		26,026	(24,252)	1,773	19,174	(24,723)	(5,549)
Legal, Democratic and Property Services		3,910	(1,553)	2,357	3,345	(1,322)	2,023
Planning, Regeneration and Leisure Services		3,368	(2,488)	880	2,734	(1,518)	1,216
Regulatory Client		556	(239)	317	577	(231)	347
Rubicon Client		1,788	(40)	1,747	1,265	(153)	1,113
Starting Well		663	(790)	(127)	630	(612)	18
WRS		0	(2)	(2)	0	0	0
<b>Cost of Services</b>		<b>76,861</b>	<b>(64,653)</b>	<b>12,207</b>	<b>80,202</b>	<b>(78,709)</b>	<b>1,493</b>
Other Operating Expenditure	B3	45	(1,406)	(1,361)	2,934	0	2,934
Financing and Investment Income and Expenditure	B4	1,248	(1,170)	78	4,884	(4,879)	5,105
Taxation and Non-Specific Grant Income and Expenditure	B5	12,998	(27,129)	(14,131)	11,198	(21,107)	(9,909)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(3,207)</b>			<b>(377)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(5,592)			17,008
Remeasurement of the net defined benefit liability/(asset)	E1			(5,826)			(1,057)
<b>Other Comprehensive Income and Expenditure</b>				<b>(11,418)</b>			<b>15,951</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(14,625)</b>			<b>15,574</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

	Notes	2021/22			2020/21		
		£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Business Transformation and Organisational Development		2,116	(592)	1,524	2,034	(373)	1,661
Community and Housing GF Services		4,947	(3,820)	1,127	4,363	(3,004)	1,359
Corporate Services		1,586	(6,034)	(4,448)	2,519	(6,644)	(4,125)
Environmental Services		6,286	(2,642)	3,644	5,835	(2,679)	3,156
Financial and Customer Services		25,614	(22,201)	3,413	37,726	(37,451)	275
Housing Revenue Account		26,026	(24,252)	1,773	19,174	(24,722)	(5,549)
Legal, Democratic and Property Services		3,910	(1,553)	2,357	3,345	(1,322)	2,022
Planning, Regeneration and Leisure Services		3,368	(2,488)	880	2,734	(1,518)	1,216
Regulatory Client		556	(239)	317	577	(231)	347
Rubicon Client		4,211	(4,034)	177	1,265	(153)	1,113
Starting Well		663	(790)	(127)	630	(612)	18
WRS		0	(2)	(2)	0	0	0
<b>Cost of Services</b>		<b>79,284</b>	<b>(68,647)</b>	<b>10,637</b>	<b>80,202</b>	<b>(78,709)</b>	<b>1,493</b>
Other Operating Expenditure	B3	(1,222)	(179)	(1,401)	2,934	0	2,934
Financing and Investment Income and Expenditure	B4	1,248	(1,170)	78	4,884	(4,879)	5,105
Taxation and Non-Specific Grant Income and Expenditure	B5	13,038	(27,129)	(14,091)	11,198	(21,107)	(9,909)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(4,777)</b>			<b>(377)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(5,591)			17,008
Remeasurement of the net defined benefit liability/(asset)	E1			(5,826)			(1,057)
<b>Other Comprehensive Income and Expenditure</b>				<b>(11,417)</b>			<b>15,951</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(16,194)</b>			<b>15,574</b>

# MOVEMENT IN RESERVES STATEMENT

## Movement in Reserves Statement for the year ended 31 March 2022

This statement shows the movement in the year on the different reserves held by the Authority, 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 the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or (from) earmarked reserves undertaken by the Council.

	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 2020	1,599	4,979	6,577	744	15,259	16,003	7,810	9,541	2,404	42,335	136,430	178,765	0	178,795
<b>Movement in reserves during the year</b>														
Total Comprehensive Income and Expenditure	(505)	0	(505)	882	0	882	0	0	0	377	15,951	16,328	(181)	16,148
Adjustments between accounting basis & funding basis under regulations	13,639	0	13,639	(1,288)	0	(1,288)	(659)	3,152	375	15,219	(15,219)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	13,134	0	13,134	(406)	0	(406)	(659)	3,152	375	15,596	732	16,328	(181)	16,147
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(11,324)	11,324	0	1,694	(1,693)	1	0	0	0	1	0	1	0	0
Balance as at 31 March 2021	1,810	11,324	13,134	1,288	(1,693)	(405)	(659)	3,152	375	15,597	732	16,329	(181)	16,148
														0
Balance as at 31 March 2021	3,409	16,303	19,711	2,032	13,566	15,598	7,151	12,693	2,779	57,932	137,034	195,094	(181)	194,913
<b>Movement in reserves during the year</b>														
Total Comprehensive Income and Expenditure	2,334	0	2,334	873	0	873	0	0	0	3,207	11,418	14,625	4,777	19,402
Adjustments between accounting basis & funding basis under regulations	8,538	0	8,538	(1,857)	0	(1,857)	4,999	701	0	12,381	(12,381)	0	(4,777)	(474)
Net Increase/Decrease before Transfers to Earmarked Reserves	10,872	0	10,872	(984)	0	(984)	4,999	701	0	15,588	(963)	14,625	0	18,928
Transfers to or from earmarked reserves (Increase)/Decrease in Year	(2,755)	1,466	(1,289)	1,009	(1,009)	0	0	0	0	(1,289)	0	(1,289)	1,289	0
Balance as at 31 March 2022	8,117	1,466	9,583	25	(1,009)	(984)	4,999	701	0	14,299	(963)	13,336	1,289	16,425
Balance as at 31 March 2022	11,526	17,769	29,294	2,057	12,557	14,614	12,150	13,394	2,779	72,230	136,071	210,101	1,108	211,209

# BALANCE SHEET

## Balance Sheet as at 31 March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 is those that the Authority is not able to use to provide service. 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 if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

	Notes	31st March 2022	31st March 2021
		£000	£000
Property, Plant & Equipment	D1	371,297	365,499
Investment Property	D2	897	899
Intangible Assets	D3	884	329
Long Term Debtors	D4	0	208
<b>Long Term Assets</b>		<b>373,078</b>	<b>366,935</b>
Short Term Investments	F4	30,897	10,000
Inventories	D9	731	465
Short Term Debtors	D4	45,460	17,324
Cash and Cash Equivalents	F1	26,709	6,739
<b>Current Assets</b>		<b>103,797</b>	<b>34,528</b>
Other Short Term Liabilities	E2	(27,852)	0
Short Term Creditors	D5	(47,185)	(16,344)
Provisions	D6	(987)	(3,381)
Revenue Grants received in advance		(14,690)	(8,325)
<b>Current Liabilities</b>		<b>(90,714)</b>	<b>(28,050)</b>
Long Term Borrowing	E2	(104,064)	(105,721)
Other Long Term Liabilities	E2	(69,777)	(70,698)
Capital Grants received in advance		(4,019)	(2,303)
<b>Long Term Liabilities</b>		<b>(177,860)</b>	<b>(178,722)</b>
<b>Net Assets</b>		<b>208,301</b>	<b>194,691</b>
Usable reserves	C3	72,230	57,931
Unusable Reserves	C4	136,071	136,760
<b>Total Reserves</b>		<b>208,301</b>	<b>194,691</b>

# BALANCE SHEET

## Group Balance Sheet as at 31 March 2022

	Notes	31st March 2022 £000	31st March 2021 £000
Property, Plant & Equipment	D1	371,594	365,499
Investment Property	D2	897	899
Intangible Assets	D3	884	329
Long Term Debtors	D4	128	208
<b>Long Term Assets</b>		<b>373,504</b>	<b>366,935</b>
Short Term Investments	F4	30,897	10,000
Inventories	D9	750	482
Short Term Debtors	D4	44,010	18,712
Cash and Cash Equivalents	F1	27,652	7,169
<b>Current Assets</b>		<b>103,309</b>	<b>36,363</b>
Short Term Borrowing	E2	(27,357)	0
Short Term Creditors	D5	(46,224)	(17,852)
Provisions	D6	(987)	(3,381)
Revenue Grants received in advance		(13,401)	(8,325)
<b>Current Liabilities</b>		<b>(87,969)</b>	<b>(29,558)</b>
Long Term Borrowing	E2	(104,064)	(105,721)
Other Long-Term Liabilities	E2	(69,777)	(73,299)
Capital Grants received in advance		(5,594)	(2,303)
<b>Long Term Liabilities</b>		<b>(179,435)</b>	<b>(181,323)</b>
<b>Net Assets</b>		<b>209,409</b>	<b>192,417</b>
Usable reserves	C3	73,338	58,258
Unusable Reserves	C4	136,071	134,159
<b>Total Reserves</b>		<b>209,409</b>	<b>192,417</b>

# CASH FLOW STATEMENT

## Cash Flow Statement at 31 March 2022

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

	Notes	2021/22 £000	2020/21 £000
<b>Net surplus or (deficit) on the provision of services</b>		3,207	377
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	20,524	24,707
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	(3,738)	673
<b>Net cash flows from Operating Activities</b>		<b>19,993</b>	<b>25,758</b>
<b>Investing Activities</b>	F4	<b>(27,875)</b>	<b>(20,530)</b>
<b>Financing Activities</b>	F5	<b>27,852</b>	<b>0</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>19,970</b>	<b>5,228</b>
Cash and cash equivalents at the beginning of the reporting period		6,739	1,511
<b>Cash Balance at End of Period</b>		<b>26,709</b>	<b>6,739</b>

# CASH FLOW STATEMENT

Group Cash Flow Statement as at 31 March 2022

	Notes	2021/22 £000	2020/21 £000
<b>Net surplus or (deficit) on the provision of services</b>		4,777	558
Adjustment to surplus or deficit on the provision of services for non-cash movements	<b>F2</b>	19,962	24,813
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>F3</b>	(3,738)	463
<b>Net cash flows from Operating Activities</b>		<b>21,001</b>	<b>25,834</b>
<b>Investing Activities</b>	<b>F4</b>	<b>(27,875)</b>	<b>(20,530)</b>
<b>Financing Activities</b>	<b>F5</b>	<b>27,357</b>	<b>0</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>20,483</b>	<b>5,304</b>
Cash and cash equivalents at the beginning of the reporting period		7,169	1,865
<b>Cash Balance at End of Period</b>		<b>27,652</b>	<b>7,169</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B1. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2021/22 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 Balances	2020/21 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,524	0	1,524	Business Transformation and Organisational Development	1,611	0	1,661
951	(176)	1,127	Community and Housing GF Services	1,195	165	1,360
(5,244)	(797)	(4,447)	Corporate Services	(4,870)	744	(4,126)
3,507	(137)	3,644	Environmental Services	3,028	128	3,156
2,660	(754)	3,413	Financial and Customer Services	(429)	704	275
714	(1,060)	1,773	Housing Revenue Account	(6,539)	990	(5,550)
(5,509)	(7,866)	2,357	Legal, Democratic and Property Services	(5,327)	7,350	2,023
102	(778)	880	Planning, Regeneration and Leisure Services	489	727	1,216
(233)	(550)	317	Regulatory Client	(167)	514	347
1,104	(644)	1,747	Rubicon Client	511	602	1,113
(342)	(215)	(127)	Starting Well	(183)	201	18
(2)	0	(2)	WRS	0	0	0
<b>(768)</b>	<b>(12,977)</b>	<b>12,207</b>	<b>Net Cost of Services</b>	<b>(10,681)</b>	<b>12,125</b>	<b>1,493</b>
(15,414)	0	(15,414)	Other Income and Expenditure	940	(2,810)	(1,870)
<b>(16,182)</b>	<b>(12,977)</b>	<b>(3,207)</b>	<b>Surplus or Deficit</b>	<b>(9,741)</b>	<b>9,315</b>	<b>(377)</b>

12,839	Opening General Fund Balance	22,580
(16,182)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(9,741)
(3,343)	Closing General Fund Balance at 31 March	12,839

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B2. Expenditure and Income Analysed by Nature

<b>Expenditure:</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Employee Benefits Expenses	16,984	15,255
Other Services Expenditure	57,303	56,887
Depreciation and Amortisation	8,376	0
Revaluation of HRA dwellings reversing previous losses	0	10,247
Interest Payments	5,421	8,075
Precepts and Levies	40	5
Payments to Housing Capital Receipts Pool	0	776
Gain on the Disposal of Assets	0	(321)

<b>Income:</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Fees, Charges and other service Income	(42,994)	(34,227)
Interest and Investment Income	(1,194)	(2,511)
Income for Council tax, non-domestic rates, district rate income	(20,488)	(9,098)
Government grants and Contributions	(26,656)	(45,010)
Internal Recharges	0	(455)

<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(3,207)</b>	<b>(377)</b>
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### Revenue from contracts with Service Recipients

The policy on fees and charges is that all services should be charged where it is appropriate to do so unless there are conflicting policies for 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.

Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the service. Charges must be linked to both service and strategic objectives and 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 by the Council and approved through the budget setting process.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B3. Other Operating Income and Expenditure

	2021/22 £000	2020/21 £000
Parish council precepts	45	5
Levies	0	2,474
Payments to the Government Housing Capital Receipts Pool	0	776
(Gains)/losses on the disposal of non current assets	0	(321)
Other	(1,406)	0
<b>Total</b>	<b>(1,361)</b>	<b>2,934</b>

## B4. Financing and Investment Income and Expenditure

	2021/22 £000	2020/21 £000
Interest payable and similar charges	0	3,656
Net interest on the net defined benefit liability (asset)	720	1,558
Interest receivable and similar income	0	(70)
Other investment income	(642)	(39)
<b>Total</b>	<b>78</b>	<b>5,105</b>

	2021/22 £000	2020/21 £000
Interest payable and similar charges	0	3,656
Net interest on the net defined benefit liability (asset)	720	1,558
Interest receivable and similar income	0	(70)
Other investment income	(642)	(39)
<b>Total</b>	<b>78</b>	<b>5,105</b>

## B5. Taxation and Non-Specific Grant Income and Expenditure

	2021/22 £000	2020/21 £000
<b>Income</b>		
Council Tax Income	(6,465)	(6,376)
Non Domestic Rates Income and Expenditure	(2,825)	4,688
Non-ring-fenced government grants	(4,507)	(7,381)
Capital Grants and Contributions	(334)	(839)
<b>Total</b>	<b>(14,131)</b>	<b>(9,909)</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B6. Members Allowances

	2021/22 £000	2020/21 £000
Basic Allowances	128	128
Special Allowances	95	95
Expenses Inc. Car Allowances	4	7
<b>Total</b>	<b>227</b>	<b>230</b>

## B7. 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.

	2021/22 £000	2020/21 £000
Fee Variations agreed for External Audit *	26	26
Housing Benefit Audit	28	28
Fees payable with regard to external audit services carried out by the appointed auditor for the year	45	42
<b>Total</b>	<b>99</b>	<b>96</b>

## B8. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22 £000	2020/21 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	(90)	0
New Homes Bonus	(84)	(926)
Section 31	(1,320)	(1,272)
Capital Grants	(1,407)	0
<b>Total</b>	<b>(2,900)</b>	<b>(2,198)</b>

	2021/22 £000	2020/21 £000
<b>Credited to Services</b>		
MHCLG Local Council Tax Support Admin Subsidy	0	(95)
MHCLG New Burdens	(231)	0
MHCLG NNDR Cost of Collection	(191)	(107)
MHCLG Homelessness Grants	(539)	(291)
MHCLG COVID 19	(2,872)	0
DWP Admin Grant	(223)	(224)
DWP Discretionary Housing	(124)	(51)
DWP Housing Benefit Subsidy	(9,530)	(14,551)
Other DWP Grant Income	0	(77)
Sports Partnership	0	(19)

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

MHCLG Covid-19 Emergency Grant	(532)	(1,417)
MHCLG Covid-19 Sales, Fees and Charges Grant	0	(361)
WCC Food and Essential Supplies	0	(88)
Other grants	(954)	(381)
<b>Total</b>	<b>(15,196)</b>	<b>(17,662)</b>

The following grants have been removed from income and expenditure on the CIES; the Council acts as an agent for the purpose of distributing these grants. Given the Covid-19 pandemic the Council was required by Central Government to distribute the grants below in line with their criteria and funding levels.

	2021/22	2020/21
	£000	£000
Covid-19 Business Support Grants (Tranche 1)	0	(121)
Covid-19 Business Support Grants (Tranche 2)	(9,164)	(14,329)
Covid-19 Test and Trace Support Payments - Self Isolation Payments	(547)	(4,265)
<b>Total</b>	<b>(9,711)</b>	<b>(18,715)</b>

### B9. Officer 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):						
Chief Executive - Kevin Dicks	2021/22	139,212	24,779	163,991	81,996	<b>81,996</b>
	2020/21	139,045	24,750	163,795	81,898	<b>81,898</b>
Executive Director of Finance & Resources	2021/22	103,017	18,337	121,354	60,677	<b>60,677</b>
	2020/21	66,302	11,169	77,471	38,736	<b>38,736</b>
Head Of Legal & Democratic Services	2021/22	85,198	16,102	101,300	50,650	<b>50,650</b>
	2020/21	85,095	15,486	100,581	50,291	<b>50,291</b>
Total	2021/22	327,427	59,218	386,645	193,323	<b>193,323</b>
	2020/21	290,442	51,405	341,847	170,924	<b>170,924</b>

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

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2021/22	111,370	21,828	133,198	66,599	<b>66,599</b>
	2020/21	111,236	20,690	131,926	65,963	<b>65,963</b>
Total	2021/22	111,370	21,828	133,198	66,599	<b>66,599</b>
	2020/21	111,236	20,690	131,926	65,963	<b>65,963</b>

## 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

	2021/22	2020/21
£50,001 to £55,000	3	0
£55,001 to £60,000	10	2
£60,001 to £65,000	5	9
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	2	0
£85,001 to £90,000	4	1
£90,001 to £95,000	1	0
£95,001 to £100,000	0	1
£100,001 to £105,000	1	0
£105,001 to £110,000	0	0
£110,001 to £115,000	1	0

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	1	0
<b>Total</b>	<b>28</b>	<b>13</b>

### B10. Termination Benefits

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 following table:

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0-£20,000	0	20	7	4	7	24	25,440	224,335
£20,001 - £40,000	0	1	1	0	1	1	20,465	22,342
£40,001 - £60,000	0	0	0	0	0	0	0	0
<b>Total cost included in bandings</b>							<b>45,905</b>	<b>246,677</b>
Recharge to Bromsgrove District Council							0	(114,300)
Recharge to Worcestershire Regulatory Services							0	0
<b>Cost to Redditch Borough Council</b>							<b>45,905</b>	<b>132,377</b>
<b>Total cost included in the CIES</b>							<b>45,905</b>	<b>132,377</b>

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## C1. 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 IV 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.

Usable Reserves						
Balance Sheet as at 31 March 2022	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
<b>Adjustments to the Revenue Resources</b>						
<b>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.</b>						
Pension cost (transferred to (or from) the Pensions Reserve)	1,541	0	0	0	0	(1,541)
Council tax and NDR (transfers to or from the Collection Fund)	6,778	0	0	0	0	(6,778)
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)	3,148	10,343	0	0	0	(13,491)
<b>Total Adjustments to Revenue Resources</b>	<b>11,467</b>	<b>10,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,810)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(766)	(5,298)	6,064	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,893)	0	5,893	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,009)	0	0	0	1,009
<b>Total Adjustments to Revenue Resources</b>	<b>(766)</b>	<b>(12,200)</b>	<b>6,064</b>	<b>5,893</b>	<b>0</b>	<b>1,009</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,064)	0	0	1,064
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(5,192)	0	5,192

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Application of capital grants to finance capital expenditure	(2,163)	0	0	0	0	2,163
<b>Total Adjustments to Capital Resources</b>	<b>(2,163)</b>	<b>0</b>	<b>(1,064)</b>	<b>(5,192)</b>	<b>0</b>	<b>8,419</b>
<b>Total Adjustments</b>	<b>8,538</b>	<b>(1,857)</b>	<b>5,000</b>	<b>701</b>	<b>0</b>	<b>(12,382)</b>

Usable Reserves						
Balance Sheet as at 31 March 2021	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
<b>Adjustments to the Revenue Resources</b>						
<b>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.</b>						
Pension cost (transferred to (or from) the Pensions Reserve)	619	727	0	0	0	(1,346)
Council tax and NDR (transfers to or from the Collection Fund)	8,119	0	0	0	0	(8,119)
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)	5,132	7,430	0	0	0	(12,562)
<b>Total Adjustments to Revenue Resources</b>	<b>13,870</b>	<b>8,157</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,027)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(2,107)	2,107	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	39	(39)	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	(5,683)	0	5,683	0	0
Use of flexible capital receipts to fund service reform	677	0	(677)	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(845)	0	0	0	0	845
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,694)	0	0	0	1,694
<b>Total Adjustments to Revenue Resources</b>	<b>608</b>	<b>(9,445)</b>	<b>615</b>	<b>5,683</b>	<b>0</b>	<b>2,539</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,481)	0	0	1,481
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2,531)	0	2,531
Application of capital grants to finance capital expenditure	(839)	0	0	0	375	464
Cash payments in relation to deferred capital receipts	0	0	207	0	0	(207)
<b>Total Adjustments to Capital Resources</b>	<b>(839)</b>	<b>0</b>	<b>(1,274)</b>	<b>(2,531)</b>	<b>375</b>	<b>4,269</b>
<b>Total Adjustments</b>	<b>13,639</b>	<b>(1,288)</b>	<b>(659)</b>	<b>3,152</b>	<b>375</b>	<b>(15,218)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C2. 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 2020/21 and 2021/22.

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	01-Apr-20	2020/21	2020/21	31-Mar-21	2021/22	2021/22	31-Mar-22
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Business Rates Retention Scheme	1,996	1,086	0	3,082	1,478	0	4,560
Community Development	67	7	0	74	0	0	74
Community Safety	302	323	(272)	353	507	0	860
Corporate Services	150	4,502	(1)	4,652	0	0	4,652
Customer Services	0	93	0	93	0	0	93
Economic Growth	330	0	0	330	208	0	538
Electoral Services	44	5	0	49	0	0	49
Environmental Vehicles	0	29	0	29	0	0	29
Equipment replacement	47	0	(22)	25	0	0	25
Financial Services	87	0	0	87	72	(10)	149
General Risk reserve	45	0	0	45	0	0	45
Housing Benefit Implementation	270	0	0	270	0	0	270
Housing Support	745	283	0	1,029	509	(3)	1,535
Land Charges	9	0	0	9	0	0	9
Land Drainage	129	0	0	129	0	0	129
Parks & Open spaces	8	0	0	8	0	0	8
Planning Services	669	0	(271)	398	150	(36)	512
Sports Development	68	0	(59)	9	107	(39)	77
Town Centre	2	5	0	7	0	0	7
Warmer Homes	12	4	0	16	0	0	16
Transformational Growth	0	123	0	123	0	0	123
Pensions	0	201	0	201	0	0	201
Regeneration Income	0	273	0	273	0	0	273
Covid-19 (General)	0	580	0	580	0	0	580
Covid-19 (Collection Fund)	0	4,433	0	4,433	0	(1,478)	2,955
<b>TOTALS</b>	<b>4,980</b>	<b>11,947</b>	<b>(625)</b>	<b>16,304</b>	<b>3,031</b>	<b>(1,566)</b>	<b>17,769</b>
<b>HRA</b>							
Housing Capital	15,258	0	(1,694)	13,564	0	(1,009)	12,555
<b>Total HRA</b>	<b>15,258</b>	<b>0</b>	<b>(1,694)</b>	<b>13,564</b>	<b>0</b>	<b>(1,009)</b>	<b>12,555</b>
<b>Total Earmarked Reserves</b>	<b>20,238</b>	<b>11,947</b>	<b>(2,319)</b>	<b>29,868</b>	<b>3,031</b>	<b>(2,575)</b>	<b>30,324</b>

### C3. Usable Reserves

	31/03/2022	31/03/2021
	£000	£000
Capital Receipts Reserve	12,150	7,151
Capital Grants Unapplied	2,779	2,779
Major Repairs Reserve	13,394	12,693
HRA Balances	2,057	2,032
HRA Earmarked Reserves	12,556	13,565
General Fund Balances	11,676	5,105

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Earmarked Reserves	17,618	14,607
<b>Total Usable Reserves</b>	<b>72,230</b>	<b>57,932</b>

### Capital Receipts Reserve

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

	31/03/2022 £000	31/03/2021 £000
<b>Balance 1 April</b>	<b>6,944</b>	<b>7,810</b>
<b>Opening Balance Adjustment</b>	<b>207</b>	<b>0</b>
Capital Receipts in year	6,064	2,068
<b>Sub-Total</b>	<b>13,215</b>	<b>9,878</b>
<b>Less:</b>		
Capital Receipts Pooled	0	(776)
Capital Receipts used for financing	(1,065)	(1,481)
Capital Receipts used for financing	0	(677)
<b>Balance 31 March</b>	<b>12,150</b>	<b>6,944</b>

Since 1 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 balance is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

### Capital Grants Unapplied

	31/03/2022 £000	31/03/2021 £000
<b>Balance on 1 April</b>	<b>2,779</b>	<b>2,404</b>
Unapplied Capital Grants received in year	0	839
Unapplied Capital Grants transferred to CAA in year on application	0	(464)

	31/03/2022 £000	31/03/2021 £000
<b>Balance on 1 April</b>	<b>2,779</b>	<b>2,404</b>
Unapplied Capital Grants received in year	0	839
Unapplied Capital Grants transferred to CAA in year on application	0	(464)
<b>Balance 31 March</b>	<b>2,779</b>	<b>2,779</b>

### Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.893m in year. The reserve was used to finance £5.153m of the Housing Investment Programme, increasing the balance held in reserves from £12.693m to £13.394m.

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	31/03/2022 £000	31/03/2021 £000
<b>Balance at 1 April</b>	<b>12,693</b>	<b>9,541</b>
Depreciation	5,893	5,684
Capital expenditure on HRA Land, Houses and Other Property	(5,192)	(2,532)
<b>Balance 31 March</b>	<b>13,394</b>	<b>12,693</b>

### C4. Unusable Reserves

	31/03/2022 £000	31/03/2021 £000
Revaluation Reserve	(67,232)	68,819
Capital Adjustment Account	(148,230)	152,124
Pensions Reserve	78,488	(76,496)
Collection Fund Adjustment Account	775	(7,559)
Accumulated Absences Account	128	(127)
<b>Total Unusable Reserves</b>	<b>(136,071)</b>	<b>136,760</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases 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 before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2022 £000	31/03/2021 £000
<b>Balance at 1 April</b>	<b>(68,820)</b>	<b>51,811</b>
Upward revaluation of assets	1,588	17,009
<b>Balance at 31 March</b>	<b>(67,232)</b>	<b>68,820</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Capital Adjustment Account

	31/03/2022	31/03/2021
	£000	£000
<b>Balance at 1 April</b>	<b>152,331</b>	<b>157,877</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	(2,483)	(7,874)
Revaluation losses on Property, Plant and Equipment	0	(2,478)
Revenue expenditure funded from capital under statute	0	(463)
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	(4,450)	(1,747)
	<b>(6,933)</b>	<b>(12,561)</b>
Adjusting amounts written out of the Revaluation Reserve		
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(6,933)</b>	<b>(12,561)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,481
Use of the Major Repairs Reserve to finance new capital expenditure	0	2,531
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	464
Application of grants to capital financing from the Capital Grants Unapplied Account	1,498	0
Statutory provision for the financing of capital investment charged against the General Fund	0	845
Borrowing or liabilities met from the Major Repairs Reserve	0	0
Capital expenditure charged against the General Fund	1,334	1,694
	<b>2,832</b>	<b>7,015</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Deferred Capital Receipts realised	0	(207)
<b>Balance at 31 March</b>	<b>148,230</b>	<b>152,331</b>

### 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 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 employers 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

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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.

	31/03/2022 £000	31/03/2021 £000
<b>Balance at 1 April</b>	<b>(76,496)</b>	<b>(74,093)</b>
Remeasurements of the net defined benefit liability/(asset)	270	(1,057)
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	(5,872)	(4,701)
Employers pensions contributions and direct payments to pensioners payable in the year	3,610	3,355
<b>Balance at 31 March</b>	<b>(78,488)</b>	<b>(76,496)</b>

### 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.

	31/03/2022 £000	31/03/2021 £000
<b>Balance at 1 April</b>	<b>(7,553)</b>	<b>566</b>
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	6,778	(8,119)
<b>Balance at 31 March</b>	<b>(775)</b>	<b>(7,553)</b>

### 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 entitlements 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.

	31/03/2022 £000	31/03/2021 £000
<b>Balance at 1 April</b>	<b>(127)</b>	<b>(127)</b>
Settlement or cancellation of accrual made at the end of the preceding year	127	127
Amounts accrued at the end of the current year	(128)	(127)
<b>Balance at 31 March</b>	<b>(128)</b>	<b>(127)</b>

## NOTES TO THE BALANCE SHEET

### D1. Property, Plant and Equipment Current Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
<b>Balance as at 1 April 2021</b>	<b>320,109</b>	<b>9,939</b>	<b>25,546</b>	<b>13,035</b>	<b>5,560</b>	<b>1,335</b>	<b>5,678</b>	<b>1,881</b>	<b>383,083</b>
Adjustments re prior years	(5,392)	312	7,943	443	(484)	43	(5,137)	(106)	(2,378)
<b>Adjusted opening balance</b>	<b>314,717</b>	<b>10,251</b>	<b>33,489</b>	<b>13,478</b>	<b>5,076</b>	<b>1,378</b>	<b>541</b>	<b>1,775</b>	<b>380,705</b>
Additions	6,947	0	0	403	0	0	3,047	0	10,397
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	5,991	0	49	0	0	0	0	0	6,040
Derecognition - Disposals	(4,450)	0	0	0	0	0	0	0	(4,450)
Other movements	0	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>323,205</b>	<b>10,251</b>	<b>33,538</b>	<b>13,881</b>	<b>5,076</b>	<b>1,378</b>	<b>3,588</b>	<b>1,775</b>	<b>392,692</b>
<b>Depreciation and Impairment</b>									
<b>Balance as at 1 April 2021</b>	<b>(7,969)</b>	<b>0</b>	<b>393</b>	<b>(8,898)</b>	<b>(1,151)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(17,582)</b>
Adjustments re prior years	7,958	0	(2,397)	(1,443)	(12)	(43)	0	0	4,063
<b>Adjusted opening balance</b>	<b>(11)</b>	<b>0</b>	<b>(2,004)</b>	<b>(10,341)</b>	<b>(1,163)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,519)</b>
Depreciation Charge	(5,592)	0	(1,465)	(727)	(143)	0	0	0	(7,927)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>(5,603)</b>	<b>0</b>	<b>(3,469)</b>	<b>(11,068)</b>	<b>(1,306)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,446)</b>
<b>Net Book Value</b>									
<b>Balance as at 31 March 2022</b>	<b>317,602</b>	<b>10,251</b>	<b>30,069</b>	<b>2,813</b>	<b>3,770</b>	<b>1,378</b>	<b>3,588</b>	<b>1,775</b>	<b>371,247</b>
<b>Balance as at 31 March 2021</b>	<b>312,140</b>	<b>9,939</b>	<b>25,939</b>	<b>4,137</b>	<b>4,408</b>	<b>1,378</b>	<b>5,678</b>	<b>1,881</b>	<b>365,500</b>

# NOTES TO THE BALANCE SHEET

## D1. Property, Plant and Equipment

### Comparative Year

	Council Dwellings	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
<b>Balance as at 1 April 2020</b>	<b>296,552</b>	<b>9,938</b>	<b>31,030</b>	<b>4,075</b>	<b>4,028</b>	<b>1,378</b>	<b>540</b>	<b>2,286</b>	<b>349,827</b>
Adjustments re prior years	6,018	1	(5,256)	8,170	1,006	(43)	0	(405)	9,490
<b>Adjusted opening balance</b>	<b>302,570</b>	<b>9,939</b>	<b>25,774</b>	<b>12,245</b>	<b>5,034</b>	<b>1,335</b>	<b>540</b>	<b>1,881</b>	<b>359,317</b>
Additions	5,427	0	0	790	525	0	5,138	0	11,880
Revaluation increases/decreases to Revaluation Reserve	13,859	0	3,149	0	0	0	0	0	17,008
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	(2,478)	0	0	0	0	0	(2,478)
Derecognition - Disposals	(1,747)	0	0	0	0	0	0	0	(1,747)
Other movements	0	0	(899)	0	0	0	0	0	(899)
<b>Balance as at 31 March 2021</b>	<b>320,109</b>	<b>9,939</b>	<b>25,546</b>	<b>13,035</b>	<b>5,560</b>	<b>1,335</b>	<b>5,678</b>	<b>1,881</b>	<b>383,083</b>
<b>Depreciation and Impairment</b>									
<b>Balance as at 1 April 2020</b>	<b>(2,390)</b>	<b>0</b>	<b>1,688</b>	<b>(8,171)</b>	<b>(1,008)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(9,839)</b>
Adjustments re prior years	0	0	0	0	0	0	0	0	0
<b>Adjusted opening balance</b>	<b>(2,390)</b>	<b>0</b>	<b>1,688</b>	<b>(8,171)</b>	<b>(1,008)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(9,839)</b>
Depreciation Charge	(5,579)	0	(1,295)	(727)	(143)	0	0	0	7,743
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2021</b>	<b>(7,969)</b>	<b>0</b>	<b>393</b>	<b>(8,898)</b>	<b>(1,151)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(17,582)</b>
<b>Net Book Value</b>									
<b>Balance as at 31 March 2021</b>	<b>312,140</b>	<b>9,939</b>	<b>25,939</b>	<b>4,137</b>	<b>4,409</b>	<b>1,378</b>	<b>5,678</b>	<b>1,881</b>	<b>365,501</b>
<b>Balance as at 31 March 2020</b>	<b>296,552</b>	<b>9,938</b>	<b>31,030</b>	<b>4,075</b>	<b>4,028</b>	<b>1,335</b>	<b>540</b>	<b>2,286</b>	<b>349,827</b>

## NOTES TO THE BALANCE SHEET

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### 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 Council's valuers and surveyors have determined the useful economic life of the assets. Buildings have a useful life of between 15 to 100 years. Vehicles, plant and equipment and software licences have a useful life of 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 conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2021/22.

Valuations of land and buildings are conducted in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2020/21 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This was in line with 2020/21.

### 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 assets has 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 £1.881m. Valuations have been conducted 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.

## NOTES TO THE BALANCE SHEET

### D2. INVESTMENT PROPERTIES

	2021/22	2020/21
	£000	£000
Balance at start of the year	899	0
Additions:		
- Purchases	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	0	0
Transfers:		
- to/from Property, Plant and Equipment	0	899
<b>Balance at end of the year</b>	<b>899</b>	<b>899</b>

### D3. 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 licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.024m (£0.024m in 2020/21) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

The movement in intangible assets for the year is as follows:

	£000
<b>Cost or Valuation</b>	
<b>Balance as at 1 April 2021</b>	<b>2,017</b>
<b>Opening Balance Adjustment</b>	<b>300</b>
<b>Adjusted Opening Balance</b>	<b>2,317</b>
Additions	318
Revaluation increases/decreases to Revaluation Reserve	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0
<b>Balance as at 31 March 2022</b>	<b>2,635</b>
<b>Depreciation and Impairment</b>	
<b>Balance as at 1 April 2021</b>	<b>(1,688)</b>
<b>Opening Balance Adjustment</b>	<b>(39)</b>
<b>Adjusted Opening Balance</b>	<b>(1,727)</b>
Depreciation Charge	(24)
Depreciation written out on Revaluation Reserve	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0
<b>Balance as at 31 March 2022</b>	<b>(1,751)</b>
<b>Net Book Value</b>	
<b>Balance as at 31 March 2022</b>	<b>884</b>
<b>Balance as at 31 March 2021</b>	<b>329</b>

## NOTES TO THE BALANCE SHEET

### D4. Debtors

	Long term debtors		Short term debtors	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Central Government Bodies	0	0	4,074	2,071
Other Local Authorities	0	0	0	3,794
Other entities and individuals	0	952	13,152	7,325
Housing Rents	0	0	31,968	22,053
Less bad debt provision	0	0	(3,734)	(17,918)
<b>Total</b>	<b>0</b>	<b>952</b>	<b>45,460</b>	<b>17,324</b>

### D5. Creditors

	Short term creditors	
	2021/22 £000	2020/21 £000
Central Government bodies	(9,101)	0
Other local authorities	0	0
Housing Rents Prepaid	(841)	0
Other Entities and Individuals	(37,244)	(16,334)
<b>Total</b>	<b>(47,186)</b>	<b>(16,334)</b>

### D6. Provisions 2021/22

	Balance as at 1 April 2021 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2022 £000
Insurance	(383)	(15)	14	(384)
NNDR Appeals	(2,870)	(4,305)	6,700	(475)
Employee Benefit	(128)	0	0	(128)
<b>Total</b>	<b>(3,381)</b>	<b>(4,320)</b>	<b>6,714</b>	<b>(987)</b>

### 2020/21

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2021 £000
Insurance	(428)	45	0	(766)
NNDR Appeals	0	(2,870)	0	(5,740)
Employee Benefit	(128)	0	0	(256)
<b>Total</b>	<b>(556)</b>	<b>(2,825)</b>	<b>0</b>	<b>(6,762)</b>

## NOTES TO THE BALANCE SHEET

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### Business Rates Appeals Provision

Within the Collection Fund, the Council has set aside provision for any potential liabilities because 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 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 was upheld in May 2020 and payments have been made during the financial year.

There is no allocation of the business rates appeals to the Council because of the arrangements in place whereby Worcestershire County Council have taken the lead of a Pilot Business Rates 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 £0.384m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

### Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1 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 continues to own the buildings and Rubicon operate services at the following sites:

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winvates Green Meeting Rooms
- Arrow Valley Visitor Centre

The company activity is included in the Group Comprehensive Income and Expenditure Statement, Movement in Reserves Statement 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.

## **D7. Capital Expenditure and 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 increased 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.

## NOTES TO THE BALANCE SHEET

Capital Expenditure and Capital Financing	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	146,719	140,326
<b>Capital Investment</b>		
Property, Plant and Equipment	10,397	11,880
Investment Properties		
Intangible Assets	318	1,027
Long Term Debtor	0	38
Revenue Expenditure Funded from Capital under Statute	0	463
<b>Total</b>	<b>10,715</b>	<b>13,408</b>
<b>Sources of finance</b>		
Capital receipts	(1,064)	(1,481)
Government grants and other contributions	(2,163)	(464)
Major Repairs Allowance	(5,192)	(2,531)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions:		
General Fund	0	0
HRA	(1,009)	(1,694)
Minimum Revenue Provision (MRP)	0	(845)
	<b>(9,428)</b>	<b>(7,015)</b>
Closing Capital Finance Requirement	148,006	146,719
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,287	6,393
Assets acquired under finance leases	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,287</b>	<b>6,393</b>

### D8. Assets Held for Sale

There were no assets held for sale as at 31 March 2022. 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 twelve 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 D9**.

### D9. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Consumable Stores	
	2021/22	2020/21
	£000	£000
<b>Balance outstanding at start of year</b>	465	277
Purchases	519	1,466
Recognised as an expense in year	(253)	(1,278)
<b>Balance outstanding at year end</b>	<b>731</b>	<b>465</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E1. Defined Benefit Pension Scheme

#### Retirement Benefits

##### Discretionary post-retirement Benefits

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

##### **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 in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,865	3,123	0	0
Past service cost	441	20	0	0
(Gain)/loss from settlements	0	0	0	0
<b>Financing and Investment Income and Expenditure:</b>				
Net Interest expense	1,492	1,484	74	74
<b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b>	<b>5,798</b>	<b>4,627</b>	<b>74</b>	<b>74</b>

<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	(4,703)	(21,414)	0	0

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Actuarial gains and losses arising on changes in demographic assumptions	(1,496)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(529)	25,946	327	327
Actuarial gains and losses arising on changes in Experience	612	(3,766)	(75)	(75)
Other	38	39	0	0
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(280)</b>	<b>5,432</b>	<b>326</b>	<b>326</b>

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	(5,798)	(4,627)	(74)	(74)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	3,610	3,086		
Retirement benefits payable to pensioners			269	269

### Pension Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Present value of the defined obligation	(195,060)	(192,948)	(3,351)	(3,294)
Fair value of plan assets	125,749	119,745	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(69,311)</b>	<b>(73,203)</b>	<b>(3,351)</b>	<b>(3,294)</b>

Net Liability and Pension Strain	Local Government Pension Scheme	
	2021/22	2020/21
	£000	£000
Local Government Pension Scheme	(69,311)	(73,203)
Discretionary Benefits	(3,351)	(3,294)

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Pension Strain Liability		
<b>Sub-total</b>	<b>(72,662)</b>	<b>(76,497)</b>
Advance Payment of Pension Contributions	4,185	5,799
<b>Net liability arising from the defined benefit obligation</b>	<b>(68,477)</b>	<b>(70,698)</b>

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 of 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 2020, the Council made an advance payment of pension contributions for 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount of each of the three financial years. Greater detail is provided later in the note under the heading 'Impact on the Authority's cashflows'.

		Local Government Pension Scheme		Discretionary Benefits	
		2021/22	2020/21	2021/22	2020/21
		£000	£000	£000	£000
Opening fair value of scheme assets		119,747	97,782	0	0
Interest income		2,503	2,501		
Remeasurement gain/(loss):					
the return on plan assets, excluding the amount included in the net interest expense		4,703	21,414		
Contributions from employer		3,610	3,086	269	269
Contributions from employees into the scheme		620	620		
Benefits/transfers paid		(5,396)	(5,618)	(269)	(269)
Administration costs		(38)	(39)		0
<b>Closing value of scheme assets</b>		<b>125,749</b>	<b>119,745</b>	<b>0</b>	<b>0</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	(192,948)	(168,638)	(3,294)	(3,237)
Current service cost	(3,865)	(3,123)		
Interest cost	(3,995)	(3,985)	(74)	(74)
Contributions from scheme participants	(620)	(620)		
Remeasurement (gains) and losses:				
Experience (gains/losses)	(612)	3,766	75	75
Financial Assumptions (gains/losses)	529	(25,946)	(327)	(327)
Demographic Assumptions (gains/losses)	1,496	0	0	0
Past service cost	0	0		
Losses/(gains) on curtailments where relevant	(441)	(20)		
Benefits/transfers paid	5,396	5,618	269	269
Liabilities extinguished on settlements (where relevant)	0	0		
<b>Balance as at 31 March</b>	<b>(195,060)</b>	<b>(192,948)</b>	<b>(3,351)</b>	<b>(3,294)</b>

### Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2022	31/03/2021
	£000	£000
<b><u>Cash and cash equivalents</u></b>	0	0
<b><u>Equities:</u></b>		
UK quoted	143	144
Overseas quoted	30,279	36,786
PIV - UK managed	17,041	16,318
PIV - UK managed (overseas)	49,343	46,377
PIV - Overseas managed	986	143

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

<b>Sub-total equity</b>	<b>97,792</b>	<b>99,768</b>
<b>Bonds:</b>		
UK Corporate	0	0
Overseas Corporate	1,704	0
Other Corporate	0	1,900
UK Government Fixed	2,755	0
Overseas Government	916	0
<b>Sub-total bonds</b>	<b>5,375</b>	<b>1,900</b>
<b>Property:</b>		
European Property Fund	0	2,306
UK Property Debt	878	461
Overseas Property Debt	586	346
UK Property Funds	5,564	2,421
Overseas REITs	0	115
<b>Sub-total property</b>	<b>7,028</b>	<b>5,649</b>
<b>Alternatives</b>		
UK Infrastructure	5,948	4,700
European Infrastructure	3,965	3,342
US Infrastructure	3,304	2,507
UK Stock Options	528	417
Overseas Stock Options	(264)	105
Corporate Private Debt	1,983	1,358
<b>Sub-total alternative funds</b>	<b>15,464</b>	<b>12,429</b>
<b>Total assets</b>	<b>125,659</b>	<b>119,746</b>

All scheme assets have quoted prices in active markets.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### 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 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	
	2021/22	2020/21	2021/22	2020/21
<b>Mortality assumptions:</b>				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.7	22.7	22.7
Women	25.1	25.1	25.1	25.1
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.4	24.4	24.4
Women	27.1	27.1	27.1	27.1
<b>Financial assumptions:</b>				
Rate of inflation	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%	4.2%	4.2%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Discount Rate	2.1%	2.1%	2.1%	2.1%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 assumption, 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	6,007	(6,007)
Rate of inflation (increase or decrease by 0.1%)	3,143	(3,143)
Rate of increase in salaries (increase or decrease by 0.1%)	231	(231)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,095)	3,095

### Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

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.

In April 2020, the Council made an advanced payment to Worcestershire Pension Fund for the deficit payment due 2020/21 to 2022/23, and 90% of the expected pension contributions for current employees for the same period. The total payment was £4.559m compared with a cost of £4.965m if the payments had been made monthly. The estimated savings are £0.257m over the three years.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E2. Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>												
Cash not falling into the following categories	0	855	0	0	0	855	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	30,897	10,000	45,460	17,324	76,357	27,324	0	0	0	0	0	0
<b>Total Financial Assets</b>	<b>30,897</b>	<b>10,855</b>	<b>45,460</b>	<b>17,324</b>	<b>76,357</b>	<b>28,179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Non-Financial Assets	0	0	0	1,009	0	1,009	0	0	0	0	0	0
<b>Total</b>	<b>30,897</b>	<b>10,855</b>	<b>45,460</b>	<b>18,333</b>	<b>76,357</b>	<b>29,188</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities</b>												
Fair Value through profit and loss	0	0	(47,185)	(16,344)	(47,185)	(16,344)	0	0	0	0	0	0
Amortised Cost	0	0	0	0	0	0	(104,064)	(105,721)	0	0	(104,064)	(105,721)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(47,185)</b>	<b>(16,344)</b>	<b>(47,185)</b>	<b>(16,344)</b>	<b>(104,064)</b>	<b>(105,721)</b>	<b>0</b>	<b>0</b>	<b>(104,064)</b>	<b>(105,721)</b>
Non-Financial Liabilities	0	0	0	(7,720)	0	(7,720)	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>(47,185)</b>	<b>(24,064)</b>	<b>(47,185)</b>	<b>(24,064)</b>	<b>(104,064)</b>	<b>(105,721)</b>	<b>0</b>	<b>0</b>	<b>(104,064)</b>	<b>(105,721)</b>

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E3. 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 because 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 the Council within 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 Advisors, who will notify changes in the 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 investment 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 detailed below:

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
<b>UK Govt</b>	n/a	n/a	£ Unlimited 50 years	n/a	n/a
<b>AAA</b>	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

<b>AA+</b>	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
<b>AA</b>	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
<b>AA-</b>	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
<b>A+</b>	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
<b>A</b>	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
<b>A-</b>	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
<b>None</b>	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
<b>Pooled funds</b>	£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 Debt Management Account Deposit Facility (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 extremely 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### 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.

### 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 charges to the Surplus / Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus / Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus / 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 / 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.

### Price Risk

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

## E4. Leases

Leases are classified as finance leases, where the terms of the lease transfer 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 period in which they are incurred.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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 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 in 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 impairments 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.

The Council has no finance leases.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 Rubicon Centre is leased with a remaining lease period to 31 July 2023, with the option of a break on 31 July 2021. This is a business centre sublet to small businesses.

The Council leases multifunctional devices (MFDs) through a lease that commenced in 2018/19 for an initial period until 31 July 2023.

### The Authority as a Lessor – Finance Leases

When 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 credited to the same 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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 is 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 the 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 the 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.

The Council has no finance leases.

### 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.

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

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

## E5. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 2021/22, supported by the 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

#### i) 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 based on the effective interest rate for the relevant financial instrument rather than the cashflows 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 to avoid addition 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 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 Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

#### ii) 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 high 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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In the Cashflow 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.

### iii) Prior period adjustments and changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because 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.

### iv) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of the 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 for the two.

### v) Council Tax and Non-Domestic Rates (England)

Billing Authorities act as agent, 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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.

### vi) Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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 holidays 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 either 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 Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

#### The Local Government Pension Scheme

The Local Government Pension 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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- Unitised securities – current bid price
- Property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities because 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 because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and 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 expenses for the Authority – the change during the period on 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, considering 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 the 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.

### 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 because 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.

### vii) Events after the Balance Sheet date

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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### viii) 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:

- In the principal market for the asset or liability, or
- 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.

### ix) 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 interest 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 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 cashflow 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 to collect contractual cashflows and where the cashflows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple debt instruments.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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 homeowners (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 Local Authority for which relevant statutory provision 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 twelve 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 cashflows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cashflows 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.

### **x) Government Grants and Contributions**

Where 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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-ringfenced 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.

### **xi) Heritage Assets**

#### **Tangible and Intangible Heritage Assets (described in this summary 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.

### **xii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because 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 good 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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.

### xiii) 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 the 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.

### xiv) 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 based on 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.

### xv) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements 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.

### xvi) 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 influence the reader of the accounts. Notes are only included where items are material by value or nature.

### xvii) 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 administration 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, if 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 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### 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 an insufficient balance, 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 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 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).

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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- Where there is no balance against 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 disposal (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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that 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, considering 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 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 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 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.

### xix) 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### xx) 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.

### xxi) 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 monthly 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 the Statement of Accounts.

When entering into share 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 the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with 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 is fully charged.

### xxii) 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.

## E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, 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 outlined below.

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 prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £17.619m and a General Fund Balance of £11.676m.

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 cashflows.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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. 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 proved for the cost of the successful appeal to the Supreme Court concluded on 20 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 31 March 2020 but full provision in made in the provision for business rate appeals as at 31 March 2021. The level of the 2017 rating list provision for appeals has released £6.7m. Previously the Council held 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 D6**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 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,

### **E7. Accounting Standards not yet 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 1 April 2020, but this has now been delayed until 1 April 2024.

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.

### **E8. 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.

### **E9. 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### 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 B8**.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2021/22 is shown in **Note B6**.

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

In 2021/22, all members have completed a register of members' disclosable pecuniary interest.

### Officers

There were no disclosures made by officers in 2021/22,

### Entities Controlled or Significantly Influenced by the Authority

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it.

As part of the shared services with Bromsgrove District Council, Redditch paid £7.022m (£6.457m in 2020/21) for Bromsgrove hosted services and received £3.912m (£3.238m in 2020/21) for services hosted at Redditch.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.288m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove District and Wyre Forest for the provision of Building Control. Redditch paid £0.102m to Bromsgrove.

For the provision of Car Park services, the Council paid £0.063m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.085m to Worcester City Council.

The Council paid Bromsgrove District Council £0.562m for Worcestershire Regulatory Shared Service.

In total, the Council received £0.588m in 2021/22 from Worcestershire County Council for running the Early Help services.

### E10. Events after the Balance Sheet date

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.

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 2021/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### E11. Contingent Assets

A contingent asset 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 that are not wholly within the Council's control.

There are no contingent assets as at 31 March 2022.

### E12. Contingent Liabilities

A contingent liability 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 that are not wholly within the Council's control.

There are no contingent liabilities as at 31 March 2022.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### F1. 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:

	2021/22 £000	2020/21 £000
Cash and Bank balances	26,709	6,739
Short Term Investments	0	0
<b>Total</b>	<b>26,709</b>	<b>6,739</b>

### F2. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2021/22 £000	2020/21 £000
Depreciation	8,352	(7,857)
Impairment & downward valuations	24	(2,478)
Amortisation	0	(17)
(Increase)/Decrease in Debtors	(28,136)	8,113
Increase/(Decrease) in Creditors	32,461	(15,039)
Increase in Inventories	(267)	188
Movement in pension liability	3,790	(3,046)
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	4,450	(1,747)
Other items charged to the net surplus or deficit on provision of services	(151)	(2,825)
<b>Total</b>	<b>20,524</b>	<b>(24,707)</b>

### F3. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing for financing activities.

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	0	0
Any other items	(3,738)	673
<b>Total</b>	<b>(3,738)</b>	<b>673</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### F4. Investing Activities

	2021/22	2020/21
	£000	£000
Purchase of PP&E, investment property and intangible assets	(10,716)	(6,265)
Purchase of Short Term Investments (not considered to be cash equivalents)	(20,897)	0
Other Payments for Investing Activities	0	(7,207)
Proceeds from the sale of PP&E, investment property and intangible assets	0	2,106
Other Receipts from Investing Activities	3,738	(9,164)
<b>Net Cash flows from Investing Activities</b>	<b>(27,875)</b>	<b>(20,530)</b>

### F5. Financing Activities

	2021/22	2020/21
	£000	£000
Cash Receipts from Short and Long Term Borrowing	27,852	0
Other Receipts from Financing Activities	0	0
Other payments for Financing Activities	0	0
<b>Net Cash flows from Financing Activities</b>	<b>27,852</b>	<b>0</b>

# HOUSING REVENUE ACCOUNT

## HOUSING REVENUE ACCOUNT

### G1. Overview

	2021/22 £000	2020/21 £000
<b>Expenditure</b>		
Repairs & Maintenance	(5,879)	(4,970)
Supervision & Management	(7,263)	(6,972)
Rents, Rates, Taxes and other charges	(235)	(61)
Depreciation, impairments and revaluation losses of non-current assets	(5,893)	(5,857)
Debt Management Costs	(9)	(9)
Movement in the allowance for bad debts	(385)	(184)
<b>Total Expenditure</b>	<b>(19,664)</b>	<b>(18,053)</b>
<b>Income</b>		
Dwelling rents	23,253	22,931
Non-dwelling rents	533	541
Charges for services and facilities	530	645
Capitalisation of System Implementation Team	81	99
Contributions towards Supported Housing	91	59
Other	26	5
<b>Total Income</b>	<b>24,514</b>	<b>24,280</b>
<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>4,850</b>	<b>6,227</b>
HRA Services Share of Corporate & Democratic Core	(674)	(650)
<b>Net Expenditure of HRA Services</b>	<b>4,176</b>	<b>5,577</b>
Gains/(loss) on sale of HRA Fixed Assets	848	321
Interest Payable and Similar Charges	(4,174)	(4,175)
HRA Interest and Investment Income	23	0
Net interest on the defined benefit liability (asset)	0	(841)
<b>Surplus or (Deficit for Year) on HRA Services</b>	<b>873</b>	<b>882</b>

### G2. Transfers (to) / from reserves

	2021/22 £000	2020/21 £000
<b>Balance on the HRA at the end of the previous year</b>	2,032	744
Surplus or (Deficit) on the HRA Income and Expenditure Statement	873	882
Adjustments between accounting basis and funding basis under statute	(1,857)	(1,288)
<b>Net Increase or (Decrease) before transfers to or from reserves</b>	<b>(984)</b>	<b>(406)</b>
Transfers (to)/from Reserves	1,009	1,694
<b>Increase or (decrease) on the HRA for the year</b>	<b>25</b>	<b>1,288</b>
<b>Balance on the HRA at the end of the current year</b>	<b>2,057</b>	<b>2,032</b>

## HOUSING REVENUE ACCOUNT

	2021/22 £000	2020/21 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute		
Transfers to/from the Capital Adjustment Account	5,893	5,857
Gain or loss on sale of HRA non current assets	(848)	(321)
HRA Share of Contributions to or from the Pension Reserve	0	727
Transfers to/(from) Major Repairs Reserve	0	(5,857)
Transfers to/(from) Housing Repairs Account	(5,893)	0
Capital expenditure funded by the HRA	(1,009)	(1,694)
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(1,857)</b>	<b>(1,288)</b>

### Transfers to/from Reserves

	2021/22 £000	2020/21 £000
Transfers (to)/from earmarked reserves	0	2,977
<b>Total Transfers</b>	<b>0</b>	<b>2,977</b>

## HOUSING REVENUE ACCOUNT

### G3. Property, Plant and Equipment

	Council Dwellings	Operational Building	Vehicles, Plant and Equipment	Surplus Asset	Assets under construction	Intangible	Total PP&E
		£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>Balance as at 1st April 2021</b>	<b>314,103</b>	<b>4,041</b>	<b>534</b>	<b>1,520</b>	<b>0</b>	<b>395</b>	<b>320,198</b>
Adjustments re prior years	0	0	0	0	0	0	0
<b>Adjusted opening balance</b>	<b>314,103</b>	<b>4,041</b>	<b>534</b>	<b>1,520</b>	<b>0</b>	<b>395</b>	<b>320,198</b>
Additions	486	0	0	0	6,461	318	6,461
Revaluation increases/decreases to Revaluation Reserve	27,451	307	0	0	0	0	307
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	28	0	0	0	0	28
Derecognition - Disposals	(4,450)	0	0	0	0	0	0
Other movements	0	(171)	0	0	0	0	(171)
<b>Balance as at 31st March 2022</b>	<b>337,590</b>	<b>4,204</b>	<b>534</b>	<b>1,520</b>	<b>6,461</b>	<b>713</b>	<b>326,822</b>
<b>Depreciation and Impairment</b>							
<b>Balance as at 1 April 2021</b>	<b>(12)</b>	<b>0</b>	<b>(505)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(517)</b>
Adjustments re prior years	0	0	0	0	0	0	0
<b>Adjusted opening balance</b>	<b>(12)</b>	<b>0</b>	<b>(505)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(517)</b>
Depreciation Charge	0	(187)	(104)	0	0	(17)	(291)
Depreciation written out on Revaluation Reserve	0	171	0	0	0	0	171
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>Balance as at 31st March 2022</b>	<b>(12)</b>	<b>(15)</b>	<b>(609)</b>	<b>0</b>	<b>0</b>	<b>(17)</b>	<b>(637)</b>
<b>Net Book Value</b>							
<b>Balance as at 31st March 2022</b>	<b>337,578</b>	<b>4,189</b>	<b>(75)</b>	<b>1,520</b>	<b>6,461</b>	<b>696</b>	<b>349,673</b>
<b>Balance as at 31st March 2021</b>	<b>314,091</b>	<b>4,041</b>	<b>29</b>	<b>1,520</b>	<b>0</b>	<b>395</b>	<b>319,681</b>

## HOUSING REVENUE ACCOUNT

Prior year

	Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>314,564</b>	<b>3,626</b>	<b>534</b>	<b>1,510</b>	<b>395</b>	<b>302,234</b>
Additions	5,427	0	0	0	0	5,427
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,859	415	0	10	0	14,284
Revaluation increases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(1,747)	0	0	0	0	(1,747)
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>314,103</b>	<b>4,041</b>	<b>534</b>	<b>1,520</b>	<b>0</b>	<b>320,198</b>
<b>Depreciation and Impairment</b>						
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>(12)</b>	<b>0</b>	<b>(401)</b>	<b>0</b>	<b>0</b>	<b>(413)</b>
Depreciation Charge	(5,579)	0	(104)	0	0	(5,683)
Depreciation written out on Revaluation Reserve	5,579	0	0	0	0	5,579
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition – Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(12)</b>	<b>0</b>	<b>(505)</b>	<b>0</b>	<b>0</b>	<b>(517)</b>
<b>Net Book Value</b>						
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>314,091</b>	<b>4,041</b>	<b>29</b>	<b>1,520</b>	<b>395</b>	<b>319,681</b>
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,552</b>	<b>3,626</b>	<b>133</b>	<b>1,510</b>	<b>395</b>	<b>302,216</b>

## HOUSING REVENUE ACCOUNT

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 2022 was £324.599m. 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 value.

### G4. Housing Stock

The number of dwellings in the Authority's housing stock as at 31 March 2022 totalled 5,603 properties. The types of properties are analysed below:

Property Type	2021/22	2020/21
	Number	Number
<b>Property Type</b>		
Flats and Maisonettes		
(Blocks up to and incl. 2 Storey)		
1 Bed	1,532	1,544
2 Bed	533	534
3 Bed	29	30
<b>Sub-Total</b>	<b>2,094</b>	<b>2,108</b>
Medium Rise Flats		
(Blocks of 3 up to and incl. 5 Storey)		
1 Bed	0	0
2 Bed	0	0
3 Bed	0	0
<b>Sub-Total</b>	<b>0</b>	<b>0</b>
Non Permanent	41	41
(Blocks of 6 Storeys or more)		
1 Bed	0	0
2 Bed	0	0
<b>Sub-Total</b>	<b>41</b>	<b>41</b>
Houses / Bungalows		
1 Bed	653	654
2 Bed	852	868
3 Bed	1,798	1,834
4 or More	165	165
<b>Sub-Total</b>	<b>3,468</b>	<b>3,521</b>
<b>Total Dwellings 31 March</b>	<b>5,603</b>	<b>5,670</b>

## HOUSING REVENUE ACCOUNT

### G5. Housing Revenue Account Capital Expenditure

	2021/22 £000	2020/21 £000
<b>Capital investment</b>		
Operational assets	6,947	5,427
Intangible Assets	318	281
<b>Totals</b>	<b>7,265</b>	<b>5,708</b>
<b>Sources of funding</b>		
Capital Receipts	1,064	1,482
Major Repairs Reserve	5,192	2,532
Direct Revenue Financing	1,009	1,694
<b>Totals</b>	<b>7,265</b>	<b>5,708</b>

### G6. Rent Arrears

During 2021/22, total rent arrears increased due to pressures from Covid-19. A summary of rent arrears and prepayments are shown in the following table:

	2021/22 £000	2020/21 £000
Current Tenant Arrears	1,426	1,046
Former Tenant Arrears	542	376
<b>Total Rent Arrears</b>	<b>1,968</b>	<b>1,422</b>
Prepayments	(604)	(522)
<b>Net Rent Arrears</b>	<b>1,364</b>	<b>900</b>

The rent arrears and prepayments exclude supporting people balances.

### G7. Depreciation and Impairment of Non-Current Assets

	2021/22		2020/21	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,592	0	5,579	0
Other Land and Buildings	180	0	159	0
Vehicles, Plant, Furniture and Equipment	104	0	104	0
Intangible Assets	17	0	18	0
<b>Total</b>	<b>5,893</b>	<b>0</b>	<b>5,860</b>	<b>0</b>

### G8. Retirement Benefits

As part of 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

## HOUSING REVENUE ACCOUNT

contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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.

HRA Income & Expenditure Account	2021/22 £000	2020/21 £000
Current Service Cost	0	1,698
Past Service Costs	0	0
Net interest expense	0	841
<b>Total</b>	<b>0</b>	<b>2,539</b>
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	0	(1,812)
<b>Movement on Pension Reserve</b>	<b>0</b>	<b>727</b>

### G9. Total Capital Receipts Generated during the year.

	2021/22 £000	2020/21 £000
Land	0	0
Council Houses	5,394	2,106
Other Property	-	-
<b>Sub Total</b>	<b>5,394</b>	<b>2,106</b>
Disposal Costs	(96)	(39)
<b>Total HRA capital receipts</b>	<b>5,298</b>	<b>2,067</b>

# COLLECTION FUND

## COLLECTION FUND

### H1. The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligations 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.

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2022/23 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2021/22 can be spread over three years from 2022/23 to 2024/25.

2020/21			Collection Fund	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			<b>INCOME</b>			
	(48,125)	(48,125)	Council Tax Receivable		(49,362)	(49,362)
(34,490)		(34,490)	Business Rates Receivable	(20,026)		(20,026)
<b>(34,490)</b>	<b>(48,125)</b>	<b>(82,615)</b>	<b>Total amounts to be credited</b>	<b>(20,026)</b>	<b>(49,362)</b>	<b>(69,388)</b>
			<b>EXPENDITURE</b>			
			<b>Apportionment of Previous Year Surplus/Deficit</b>			
(3,869)		(3,869)	Central Government	1,009		1,009
(3,095)	14	(3,081)	Redditch Borough Council	504	117	621
(696)	74	(622)	Worcestershire County Council	1,237	616	1,853
(77)	5	(72)	Hereford and Worcestershire Fire and Rescue	28	41	69
	12	12	Police and Crime Commissioner for West Mercia		106	106
			<b>Precepts, demands and shares</b>			
8,110		8,110	Central Government	16,722		16,722
0	6,249	6,249	Redditch Borough Council	13,378	6,425	19,803
24,006	32,901	56,907	Worcestershire County Council	3,010	34,450	37,460
324	2,201	2,525	Hereford and Worcestershire Fire and Rescue	334	2,260	2,594
	5,654	5,654	Police and Crime Commissioner for West Mercia		5,917	5,917
			<b>Charges to Collection Fund</b>			
254	576	830	Increase/(decrease) in allowance for impairment	671	692	1,363
(3,222)		(3,222)	Increase/(decrease) in allowance for appeals	3,822		3,822
880		880	Transitional Protection Payments Payable	619		619
			<b>Charges to General Fund</b>			
106		106	Charge to General Fund for allowable collection costs for non-domestic rates	106		106
<b>22,721</b>	<b>47,686</b>	<b>70,407</b>	<b>Total amounts to be debited</b>	<b>41,440</b>	<b>50,624</b>	<b>92,064</b>
<b>(11,769)</b>	<b>(439)</b>	<b>(12,208)</b>	<b>(Surplus) /deficit arising during the year</b>	<b>21,414</b>	<b>1,262</b>	<b>22,676</b>
6,478	(32)	6,446	(Surplus)/deficit b/f at 1 April	(5,291)	(471)	(5,762)
<b>(5,291)</b>	<b>(471)</b>	<b>(5,762)</b>	<b>(Surplus)/deficit c/f at 31 March</b>	<b>16,123</b>	<b>791</b>	<b>16,914</b>

# COLLECTION FUND

## H2. 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<sup>ST</sup> MARCH 2022**

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21.00	11.80	5/9	6.56	138.42
A	Up to & including	40,000		7,727.00	4,554.90	6/9	3,036.60	166.10
B		40,001	- 52,000	12,057.00	9,345.20	7/9	7,268.49	193.78
C		52,001	- 68,000	7,836.00	6,795.20	8/9	6,040.18	221.47
D		68,001	- 88,000	4,386.00	3,993.70	9/9	3,993.70	249.15
E		88,001	- 120,000	3,388.00	3,196.00	11/9	3,906.22	304.52
F		120,001	- 160,000	1,259.00	1,201.20	13/9	1,735.07	359.88
G		160,001	- 320,000	465.00	442.80	15/9	738.00	415.25
H	More Than		320,001	19.00	18.00	18/9	36.00	498.30

Adjustment 0.98

Council tax base 26,225.58

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21	14.86	5/9	8.26	135.64
A	Up to & including	40,000		7,655	4,788.48	6/9	3,192.32	162.77
B		40,001	- 52,000	11,978	9,534.08	7/9	7,415.40	189.89
C		52,001	- 68,000	7,668	6,750.35	8/9	6,000.31	217.02
D		68,001	- 88,000	4,316	3,939.55	9/9	3,939.55	244.15
E		88,001	- 120,000	3,289	3,121.55	11/9	3,815.22	298.41
F		120,001	- 160,000	1,209	1,151.42	13/9	1,663.17	352.66
G		160,001	- 320,000	468	446.72	15/9	744.52	406.92
H	More Than		320,001	18	17.00	18/9	34.00	488.30

Adjustment 0.99

Council tax base 26,544.62

## COLLECTION FUND

The breakdown above is for Redditch Borough Council only. Below is the total payable for Band D equivalent for all preceptors:

	2021/22	2020/21
	£	£
Bromsgrove District Council	249.15	244.15
Worcestershire County Council	1,343.83	1,311.05
Police and Crime Commissioner for West Mercia	240.19	225.20
Hereford and Worcestershire Fire and Rescue	87.68	85.99
<b>Total Council Tax for non parish areas</b>	<b>1,920.85</b>	<b>1,866.39</b>
Parish Councils (Average)	27.23	27.21
<b>Average Council Tax for the District in parish areas</b>	<b>1,948.08</b>	<b>1,893.60</b>

### H3. 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 2021/22 the rate poundage was 51.2p (no change from 2020/21). 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 **B5**.

The total rateable value at 31 March 2022 was £82,141,970 (2020/21 £80,866,215).

For 2021/22, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

# ANNUAL GOVERNANCE STATEMENT

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## ANNUAL GOVERNANCE STATEMENT

### 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 provides value for money. 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. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. 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 Council's 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 2021 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

The framework to deliver good governance across the Council's 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 Council's 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.
- Council has approved financial Regulations and Contract Procedure Rules. 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.

# ANNUAL GOVERNANCE STATEMENT

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- 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, chair 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 fourth 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 framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements were limited during the year due to the implementation of a new financial management system in February 2021. Although processes were in place are in place in relation to online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation, the Council was not able to undertake regular financial monitoring until Period 11. This is reflected in the Improvement plan later in this section.
- 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 2021/22.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online 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 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 2021/22, 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.

# ANNUAL GOVERNANCE STATEMENT

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## 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 2021/22 the Internal Audit team delivered a comprehensive programme including:

- A number of core systems audits which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance
- 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.

In relation to the cc reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

## Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that this committee on the 10<sup>th</sup> November 2022 received a Report from the Council's External Auditor setting out that

The Council had received a S24 Statement for non-delivery of the 2020/21 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. There were also five key recommendations in the Draft 2020/21 External Audit Report:

- The Council needs to ensure that key reports and supporting documentation are provided to Members in a timely way and in accordance with relevant codes and practice.
- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.
- The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Corporate Plan and related strategic objectives, allowing Members to scrutinize performance. This should be done at least twice a year.
- The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should

# ANNUAL GOVERNANCE STATEMENT

make risk management reporting a standard item on the Audit, Governance and Standards Committee’s agenda, with members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.

- The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

In response to these issues

- The Council has put in place a Financial Recovery process which is reported twice a year to the Cabinet and the Audit Governance and Standards Committee now meet six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council’s accounts are up to date.
- That the missing Treasury management reports have been submitted and there is a schedule that Audit, Governance and Standards Committee review to ensure financial compliance.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions.
- A review of the issues behind the issuing of the S24 Statement was commissioned through an Audit Task Group and these wider recommendations, including Governance and support requirements agreed by Council in the summer of 2023.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 83.

## 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 .....

Date .....

Signed .....

Date .....

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

# INTERNAL AUDITORS' REPORT

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## INTERNAL AUDITORS' REPORT

### Head of Internal Audit Opinion

Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2021/22 was a very challenging year regarding the control environment in certain areas of the Council. Changes in the way services needed to be delivered and staff deployed saw a continuance of remote working as there continued to be an emergence from the Covid-19 pandemic. A significant number of staff leaving the Authority was also experienced which created its own challenges within certain Services e.g. Finance. The loss of staff and experience along with the implementation of a new financial system resulted in a very challenging control environment and saw an increase in potential risk in the core financial areas. Appropriate and proportionate remote access to files and systems remained in place to ensure services could continue to be delivered during the second year of the pandemic.

### **Overall Governance Conclusion**

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2021/22 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. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2021/22 will be critical to create better transparency, expectations and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation has introduced some risks into the financial areas of the Council which have been identified as part of the audit reviews, e.g. a lack of budget monitoring, no reconciliations being undertaken, and limited assurance reported against several review areas including debtors and budget monitoring. A budget monitoring audit was undertaken but due to the known issues surrounding the new system roll out, the difficulties being experienced with cash receipting interfacing and the direct impact this had on reconciliations there was no value to be added by undertaking a main ledger review as the risks and required actions were already known. Procurement also was reported with a limited assurance. The identified risks need to be mitigated as part of the action plans to be deployed to address the identified control weaknesses.

### **Risk Management Conclusion**

The Head of Internal Audit can confirm the further development of the formal risk management system has not progressed as well as expected in the organisation under the direction of the previous Financial and Customer Services Manager with a view to achieving a better embedded approach for the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. This was acknowledged by the current Executive Director of Finance and Resource (s151 Officer) and a strategy agreed and launched at CMT on the 16th March 2022. The Interim Head of Financial and Customer Services is now championing risk management. A specific piece of audit work that was undertaken regarding the formulation of an expected action returned a 'no assurance' categorisation as no action plan had been agreed prior to March 2022. This assurance was associated solely to the action plan that should have been formulated and delivered during 2021/22. Risk management is present in some form in Services but is not corporately coordinated to allow for a joined-up view of risk from a corporate perspective. The implementation of the March 2022 action plan has buy in from the whole of the management team and will be monitored for progress and reported before Members in the future.

# INTERNAL AUDITORS' REPORT

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## Audit Opinion

The internal audit of Redditch Borough Council's systems and operations during 2021/22 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 29th July 2021 and any subsequent revisions.

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 to 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.

The Internal Audit Plan for 2021/2022 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, procurement, fuel usage, projects, grants, gas compliance, asbestos and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The 2021/22 internal audit plan saw a small revision due to changing circumstances. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 18 reviews were taken into consideration. Areas which returned a level of 'limited' or 'no' assurance included debtors, budget monitoring, risk management action plan and procurement.

To mitigate the risk a clear management action plan has been formulated to address the issues identified in all the audit areas where 'no' or 'limited' assurance was identified. 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 an action plan formulated by the Interim Head of Finance and Customer Service and overseen by the Executive Director of Finance and Resource (s151 Officer).

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 when reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including the financial system and budget monitoring. No areas of significant risk have been identified in addition to those already identified during the year.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

There has been a wide spectrum of assurance applied to the reviewed areas during 2021/22. The implementation of the new finance system has created risk hotspots. This, along with a significant loss of experienced staff due to natural churn and areas of 'limited' or 'no' assurance reviews clearly identify certain areas in the organisation that requires immediate attention to mitigate risk. Audits that 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 give some balance to the overall picture. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The critical friend review that was undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the

## INTERNAL AUDITORS' REPORT

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previous year results and corporate position due to the changing position regarding the recovery from the pandemic and the implementation of the new financial system which has impacted the whole organisation.

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 some assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage  
Head of Internal Audit  
Shared Service Worcestershire Internal Audit Shared Service  
July 2022

# GLOSSARY

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## 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

Extremely high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate 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 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, based on 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.

# GLOSSARY

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## **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, which 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 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 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.

## GLOSSARY

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### **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 fewer 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.

## GLOSSARY

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### **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 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.

## GLOSSARY

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### **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 because 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 highly 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 NDR purposes.

# GLOSSARY

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## **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.