

Redditch Borough Council

Financial Statements for the year ended 31 March 2017

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Redditch Borough Council

Financial Statements for the year ended 31 March 2017

Narrative Report

Narrative Report

Introduction

Redditch Borough Council's financial performance for the year ended 31 March 2017 is as set out in the Comprehensive Income & Expenditure Summary and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting the United Kingdom 2016/17 (the Code). It is the purpose of this report to explain, in an easily understandable way the financial facts and performance in relation to Redditch.

Overview

2016/17 has been a challenging financial year. Redditch faced a reduction in resources with Revenue Support Grant received from the Government reducing from £1,578k in 2015/16 to £946k in 2016/17. It will reduce further to £407k in 2017/18, £35k in 2018/19 and from 2019/20 the Council will need to pay a levy to the Government of £331k rather than receive Revenue Support Grant. The Council has sought to balance the budget through savings whilst attempting to protect the services that are most important to the community.

The budgets set for 2016/17 were challenging but aware of the need for additional savings in future years there has been a prudent approach to spending and a commercial approach to attracting income. This has enabled a £348k surplus to be reported.

Strategic Purposes

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

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



Strategic purpose: Help me run a successful business

How we achieve this:

- Nurture existing businesses and encourage a future generation of entrepreneurs
- Enhance the retail, leisure and residential offer
- Positively promote Redditch as a place to live, work, invest and visit and encourage new inward investment
- Work with partners to improve the aspirations of our younger population and develop skills to meet the future demands of employers
 - ❖ There are a number of international companies established in the Borough and the Kingfisher Shopping Centre boasts many big name stores

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

How we achieve this:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt
 - ❖ The Financial Inclusion Team (FIT) is working with residents to help them manage their finances and debt
 - ❖ The Fusion job coaching project has been working to help more people move into employment

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

How we achieve this:

- Understand and support the additional needs of our residents
- Promote independence and reduce social isolation
- Help people to have active bodies and active minds
- Strengthening and supporting families and individuals
 - ❖ Through the partnership project, Connecting Families, we have been able to support many more families across the Borough
 - ❖ Over 2,000 residents are being helped to stay in their own home through the support of Lifeline
 - ❖ Redditch Dial-A-Ride runs a Borough wide service to help the most vulnerable residents access services, providing on average 2,000 journeys each month
 - ❖ The Redditch and Bromsgrove Community Safety schools programme has provided one to one mentoring sessions for 81 young people across both areas since September 2015
 - ❖ During 2016/17 there were over 22,006 free swims provided by the Borough Council

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

How we achieve this:

- Support the development of appropriate and affordable housing in the borough
- Raise housing standards and the quality of the local environment across the Borough
- Greater involvement and empowerment of tenants and residents in service delivery and reform
- Identify and support vulnerable people to prevent homelessness
- Build sustainable communities and neighbourhoods
 - ❖ During 2016/17, 73 affordable homes were completed
 - ❖ During 2016/17 there were 211 homeless preventions

Strategic purpose: Keep my place safe and looking good

How we achieve this:

- Participate in the creation of safe and well maintained places
- Demonstrate concern and care for the environments
- Create a sense of belonging and pride in our neighbourhoods
 - ❖ The increased take up of the bulky waste service has seen a reduction in fly tipping

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

How we achieve this:

- Help create flourishing town and district centres
- Support the provision of leisure opportunities for the whole Borough
- Provide well maintained community parks and green spaces
- Provide and support high quality, culturally diverse events and arts activities
 - ❖ There were over 24,650 attendances at Redditch Borough Council events during 2016/17
 - ❖ Redditch has hosted the Pearl Izumi Tour Series cycle race for the last 5 years and it attracts over 10,000 visitors each year with an estimated income of around £120k for the Worcestershire economy

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 32. The objective is to demonstrate to council tax payers and housing rent payers how the funding available to the Authority (ie 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 2016/17 is shown below:-

| Strategic Purpose | Budget £'000 | Actuals £'000 | Variance £'000 |
|---|-----------------|------------------|-------------------|
| Keep my place safe and looking good | 5,094 | 4,582 | (512) |
| Help me run a successful business | 8 | (40) | (48) |
| Help me be financially independent | 531 | 58 | (473) |
| Help me to live my life independently | 410 | 381 | (29) |
| Help me find somewhere to live in my locality | 1,208 | 1,235 | 27 |
| Provide Good things for me to see, do and visit | 1,382 | 1,487 | 105 |
| Enable others to work/do what they need to do (to meet their purpose) | 7,519 | 7,459 | (60) |
| Costs recovered from the Housing Revenue Account | (4,747) | (3,760) | 987 |
| Totals | 11,405 | 11,402 | (3) |
| Corporate Financing | (11,405) | (11,750) | (345) |
| General Fund Surplus | - | (348) | (348) |
| Planned Use of Balances | - | 477 | 477 |
| Contribution to reserves | - | (933) | (933) |
| Total as reported on Expenditure and Funding Analysis | - | (804) | (804) |

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 summary (CIES) and the expenditure and funding analysis (EFA).

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

The surplus is consistent with the management accounts reported throughout the year.

Keep my place safe and looking good

There has been additional income generated from planning applications, bulky waste, work recharged to Worcestershire County Council and an increase in cremations earlier in the day. In addition savings have been realised from proactive maintenance in previous years, energy costs and vacancy or maternity leave.

Help me run a successful business

There has been a steady increase in licensing income throughout the year to result in additional income compared with the budget

Help me be financially independent

The majority of this variance relates to the benefit subsidy which cannot be readily determined for projection in a financial year and results in a variance to that anticipated. In addition the income from overpayment is higher than that expected; there is a bad debt provision in place to support any irrecoverable debt.

Help me to live my life independently

There has been a renegotiation of contracts within Lifeline to increase income generated.

Help me find somewhere to live in my locality

The overspend to budget reflects the cost associated with the interest free lifetime loans that the Council has entered into over the last number of years.

Provide Good things for me to see, do and visit

There are significant shortfalls in income generated due to the sports centres and golf club not achieving the expected income. The recent works to improve capacity at the Abbey Stadium has started to show an increase in usage and this should ensure that current members are retained along with new membership generated. Officers continue to review the position with the aim to make the service as efficient as possible whilst securing income.

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

There has been an increase in income from the property portfolio owned by the Council together with savings from utility and contract charges.

Additional income has been received from legal service contract work and savings made on training whilst the skills matrix is being developed as a result of the staff survey.

As part of the budget setting a saving is identified to be realised from management of vacancies across the Council. For 2016/17 this was £245k and has been reallocated from Corporate Management to the Strategic Purposes based on a proportion of the underspend in the area.

Costs recovered from the Housing Revenue Account

The adverse variance on the recovery of costs from the HRA arises from an error made in the recharge calculation in the General Fund where the HRA recovery assumption was increased by £987k without the corresponding cost on the HRA. The HRA has paid the due amount of £3,760k not the £4,747k as included in the budget allocations. This overspend has been met by other savings in 2016/17 and officers are currently addressing the impact into 2017/18.

Corporate Financing

The projected saving on borrowing costs of £125k has materialised due to slippage on the capital programme. In addition there has been a repayment made from the Business Rates Pool and other grants and receipts received of approximately £220k.

Housing Revenue Account (HRA)

Details on the HRA are provided on pages 70 to 74. Overall, the HRA balances to a zero net expenditure and there has been no transfer to or from HRA Balances. Compared with budget there was a £278k reduction in rent income which was mainly due to increased right-to-buy receipts. Expenditure on repairs and maintenance was £689k higher than budgeted due to extreme high demand for ad hoc repairs and increased number of voids requiring major works. Overall the HRA income and expenditure account funded £1,184k of capital expenditure on acquisition of new property and contributed £540k to the HRA Capital Reserve for future acquisitions or the repayment of debt.

The Movement in Reserves Statement

This Statement, often referred to as MiRS, is set out on page 15. It shows movement in the year on the different reserves held by Redditch, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net Increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by Redditch.

Comprehensive Income and Expenditure Summary

This statement, often referred to as the CIES, is on page 16 and shows the expenditure and income 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.

The Balance Sheet

The Balance Sheet is set out on page 17, shows the value as at the Balance Sheet date of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services on the disposal of the asset.

The main changes to the Balance Sheet in 2016/17 are:-

Fixed Assets –there has been a £37,606k increase in the valuation of the Housing Revenue Account dwellings which accounts for the majority of the increase of property, plant and vehicles.

There has been an increase in pension deficit from £65,375k to £73,881k. Note 35 on page 63 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities from changes in actuary assumptions (£24,714k) offset by financial return on assets (£16,208k).

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Redditch does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

The Cash Flow Statement

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

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Annual Governance Statement

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

The Authority's Responsibilities

Redditch Borough Council is required to:

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

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

The Executive Director of Finance and Resources is responsible for the preparation of Redditch Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Executive Director of Finance and Resources has also:

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

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31 March 2017 and its income and expenditure for the year ended on that date.

SIGNED

21st September 2017

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition the Council is looking at increasing the revenue generated by taking a more commercial approach to its activities. With this in mind working groups of officers have been established to further identify and develop opportunities.
- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner. This is currently under review to ensure it best meets the Councils needs
- 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 issues raised during 2016/17
- The Constitution clearly defines the roles of Monitoring officer, S151 and Head of Paid Service
- A whistleblowing policy is in place and is to be reviewed in 2017/18
- Regular press releases are submitted and on line information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

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

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

Throughout 2016/17, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit , Standards and Governance Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

- **Audit, Standards and Governance 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.

There have been three code of conduct complaints reported to the Audit Standards and Governance Committee. Two have been investigated and resolved locally and one ongoing.

- **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 2016/17 the Internal Audit team delivered a comprehensive programme including:

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

- a number of operational systems, for example – bereavement, housing, ICT and customer 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 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, Standards and Governance Committee for further scrutiny. In relation to the 27 reviews that have been undertaken, 21 have been finalised and 6 are at draft report stage. Areas which returned an assurance level of 'limited' were Contracts – post contract appraisals, Performance Measures, Risk Management, Housing Capital Programme, Community Centres and Allotments. Due to the nature of the findings in regard to the Contracts – post contract appraisals a further piece of work which focussed on the Housing Capital Programme was commissioned after discussions between Senior Management Team and the Head of Internal Audit. This was a significant piece of work for internal audit lasting approximately three months culminating in a number of high risk areas that required immediate attention being identified. A key outcome of this review was a decision by the Senior Management Team to employ a Senior Contracts Manager who is now working on developing as well as delivering a robust action plan to address the identified risks. The Manager is reporting directly to the Senior Management Team and internal audit have worked with the team sharing information. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resources. Actions include development of a new risk management strategy together with improvements to reporting of the Corporate Risk Register to Committee.

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

Significant Governance Issues

The Council received a qualified value for money conclusion in 2015/16 and this is being addressed through improvements to the monitoring of budgets and the efficiency plan.

In relation to the internal audit reports for 2016/17 areas which returned an assurance level of 'limited' were performance measures and risk management. All areas where assurance was 'limited' have a clearly defined action plan in place in order to address the weaknesses and issues identified. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource. Actions include development of a new risk management strategy together with improvements to reporting of the Corporate Risk Register to Committee.

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

An opinion from the Head of Worcestershire Internal Audit is provided in the accounts on pages 13 and 14.

Following an Internal Audit report an independent investigation is being carried out to identify the nature and extent of non-compliance with procurement regulations and the Council's standing orders.

Local Government Ombudsman

There have been six reported cases to the Ombudsman within 2016/17, all have been resolved. One of the six cases had an outcome of maladministration, however the apology and write off of the outstanding minor debt was accepted as an appropriate resolution by the Ombudsman.

Signed

21st September 2017

Signed

21st September 2017

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

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2017 has been prepared in the form directed by the Code and under the accounting policies set out on pages 19 to 28.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....
Chief Financial Officer
21st September 2017

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Audit, Governance and Standards Committee on 21st September 2017.

.....
Chair
21st September 2017

Worcestershire Internal Audit Shared Service Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2017.

1. Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2016/17 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Standards and Governance Committee on 21st April 2016 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2016/2017 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. 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, allotments, bereavement services, planning enforcement, grants to voluntary bodies were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The 2016/17 internal audit plan and any revision thereto, was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 1.5 In relation to the 27 reviews that have been undertaken, 21 have been finalised and 6 are at draft report stage. Areas which returned an assurance level of 'limited' were Contracts – post contract appraisals, Performance Measures, Risk Management, Housing Capital Programme, Community Centres and Allotments. Due to the nature of the findings in regard to the Contracts – post contract appraisals a further piece of work was commissioned after discussions between Senior Management Team and the Head of Internal Audit which focussed on the Housing Capital Programme. This was a significant piece of work for internal audit lasting approximately three months culminating in a number of high risk areas being identified that required immediate attention. A key outcome of this review was a decision by Senior Management Team to employ a Senior Contracts Manager who is now working on developing as well as delivering a robust action plan to address the identified risks. The Manager is reporting directly to the Senior Management Team and internal audit have worked with the team sharing information.
- 1.6 A clear management action plan has been formulated to address the issues identified in all the other audit areas where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified in addition to those already identified in the audit work completed. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

1.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change. However, there were 6 audits allocated a 'limited' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively.

1.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2016/17 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, there remains a significant risk which could jeopardise this in the future in regard to the Housing Capital Programme and Risk Management. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2016/17 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing capital programme, manage its risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
May-17

Redditch Borough Council

Movement in Reserves Statement For the current and comparative year

| | General Fund Balance | Earmarked General Fund Reserves | Total General Fund Balance | HRA Balance | Earmarked HRA Reserves | Total HRA Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves of the Authority |
|---|----------------------|---------------------------------|----------------------------|--------------|------------------------|-------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|---------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 1 April 2015 | 1,984 | 2,616 | 4,600 | 1,031 | 16,039 | 17,070 | 1,623 | 13 | 808 | 24,114 | 49,046 | 73,160 |
| Movement in reserves during the year | | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (1,260) | 0 | (1,260) | 4,531 | 0 | 4,531 | 0 | 0 | 0 | 3,271 | 5,980 | 9,251 |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 107 | | 107 | (1,156) | 0 | (1,156) | 135 | 108 | 440 | (366) | 366 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | (1,153) | 0 | (1,153) | 3,375 | 0 | 3,375 | 135 | 108 | 440 | 2,905 | 6,346 | 9,251 |
| Transfers to or from earmarked reserves (Increase)/Decrease in Year | 1,193 | (1,193) | 0 | (2,931) | 2,931 | 0 | | | | 0 | | 0 |
| | 40 | (1,193) | (1,153) | 444 | 2,931 | 3,375 | 135 | 108 | 440 | 2,905 | 6,346 | 9,251 |
| Balance as at 31 March 2016 | 2,024 | 1,423 | 3,447 | 1,475 | 18,970 | 20,445 | 1,758 | 121 | 1,248 | 27,019 | 55,392 | 82,411 |
| Closing General Fund and HRA Balance 31 March 2016 | | | | | | 23,892 | | | | | | |
| Movement in reserves during the year | | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 675 | 0 | 675 | 40,515 | 0 | 40,515 | 0 | 0 | 0 | 41,190 | (6,262) | 34,928 |
| Adjustments between accounting basis & funding basis under regulations | (411) | | (411) | (39,975) | | (39,975) | 2,429 | (29) | 20 | (37,966) | 37,966 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 264 | 0 | 264 | 540 | 0 | 540 | 2,429 | (29) | 20 | 3,224 | 31,704 | 34,928 |
| Transfers to or from earmarked reserves (Increase)/Decrease in Year | (393) | 393 | 0 | (540) | 540 | 0 | | | | 0 | | 0 |
| | (129) | 393 | 264 | 0 | 540 | 540 | 2,429 | (29) | 20 | 3,224 | 31,704 | 34,928 |
| Balance Sheet as at 31 March 2017 | 1,895 | 1,816 | 3,711 | 1,475 | 19,510 | 20,985 | 4,187 | 92 | 1,268 | 30,243 | 87,096 | 117,339 |
| Closing General Fund and HRA Balance 31 March 2017 | | | | | | 24,696 | | | | | | |

Redditch Borough Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

Notes

| | 2016/17 | | | RESTATED 2015/16 | | |
|---|---------------|-----------------|-----------------|---------------------|-----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Expenditure | Income | Net | Expenditure | Income | Net |
| Enabling of the Authority | 5,833 | (906) | 4,927 | 5,524 | (1,627) | 3,897 |
| Help me be financially independent (including Education and Skills) | 25,136 | (25,073) | 63 | 26,121 | (25,527) | 594 |
| Help me find somewhere to live in my locality | 1,567 | (733) | 834 | 1,632 | (697) | 935 |
| Help me to live my life independently (including Health and Activity) | 3,153 | (2,938) | 215 | 3,571 | (3,189) | 382 |
| Help me run a successful business | 1,060 | (1,174) | (114) | 930 | (1,154) | (224) |
| Keep my place safe and looking good | 6,890 | (2,620) | 4,270 | 7,579 | (2,723) | 4,856 |
| Provide good things for me to see, do and visit | 4,727 | (3,546) | 1,181 | 4,996 | (3,363) | 1,633 |
| Local authority housing - (HRA) | 17,596 | (24,948) | (7,352) | 15,985 | (25,426) | (9,441) |
| Revaluation of Housing Revenue Account Stock | (37,605) | 0 | (37,605) | (134) | 0 | (134) |
| Cost of Services | 28,357 | (61,938) | (33,581) | 66,204 | (63,706) | 2,498 |
| Other Operating Expenditure | 11 | (1,853) | (1,853) | 173 | | 173 |
| Financing and Investment Income and Expenditure | 12 | 5,854 | (9) | 5,641 | (209) | 5,432 |
| Taxation and Non-Specific Grant Income and Expenditure | 13 | 12,691 | (24,292) | 11,750 | (23,124) | (11,374) |
| (Surplus) or Deficit on Provision of Services | | | (41,190) | | | (3,271) |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment | 14, 15 | | (1,156) | | | (2,102) |
| Recognition of Long Term Debtors which in previous years were treated as revenue expenditure charged to capital under statute | | | (327) | | | 0 |
| Remeasurement of the net defined benefit liability/(asset) | 35 | | 7,745 | | | (3,878) |
| Other Comprehensive Income and Expenditure | | | 6,262 | | | (5,980) |
| Total Comprehensive Income and Expenditure | | | (34,928) | | | (9,251) |

Redditch Borough Council

Balance Sheet as at 31 March 2017

| | Notes | 31st March 2017 £000 | 31st March 2016 £000 |
|------------------------------------|---------------|-------------------------|-------------------------|
| Property, Plant & Equipment | 14/14a | 298,853 | 258,242 |
| Heritage Assets | | 53 | 54 |
| Intangible Assets | 15 | 187 | 273 |
| Long Term Debtors | 16 | 950 | 731 |
| Long Term Assets | | 300,043 | 259,300 |
| Inventories | 17 | 322 | 282 |
| Short Term Debtors | 18 | 7,204 | 7,435 |
| Cash and Cash Equivalents | 19 | 901 | 0 |
| Assets held for sale | 20 | 0 | 101 |
| Current Assets | | 8,427 | 7,818 |
| Cash and Cash Equivalents | 19 | 0 | (480) |
| Short Term Borrowing | 16 | (3,000) | (5,000) |
| Short Term Creditors | 21 | (8,138) | (8,130) |
| Provisions | 22 | (1,830) | (1,669) |
| Current Liabilities | | (12,968) | (15,279) |
| Long Term Borrowing | 16 | (104,063) | (104,053) |
| Other Long Term Liabilities | 35 | (73,881) | (65,375) |
| Capital Grants received in advance | 31 | (219) | 0 |
| Long Term Liabilities | | (178,163) | (169,428) |
| Net Assets | | 117,339 | 82,411 |
| Usable reserves | 23 | 30,243 | 27,019 |
| Unusable Reserves | 24 | 87,096 | 55,392 |
| Total Reserves | | 117,339 | 82,411 |

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 27 June 2017.

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Chief Financial Officer

21st September 2017

Redditch Borough Council

Cash Flow Statement at 31 March 2017

| | Notes | 2016/17 £000 | 2015/16 £000 |
|---|-------|-----------------|-----------------|
| Net surplus on the provision of services | | 41,190 | 3,271 |
| Adjustment to surplus or deficit on the provision of services for non-cash movements | 25 | (26,256) | 10,681 |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25 | (6,367) | (5,691) |
| Net cash flows from Operating Activities | | 8,567 | 8,261 |
| Investing Activities | 26 | (4,970) | (5,376) |
| Financing Activities | 27 | (2,216) | (3,209) |
| Net increase or decrease in cash and cash equivalents | | 1,381 | (324) |
| Cash and cash equivalents at the beginning of the reporting period | | (480) | (156) |
| Cash and cash equivalents at the end of the reporting period | | 901 | (480) |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2016 which require 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

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 holding fixed assets during the year:

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

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

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

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

Accounting for Council Tax and NDR

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

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

vi) Employee Benefits Benefits Payable During Employment

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

Termination benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

Discretionary Benefits

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

vii) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is 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 is 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.

xviii) 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 equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

The Council has no available for sale assets

x) Government Grants and Contributions

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

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

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

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

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

xi) Heritage Assets

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xxi in this summary of significant accounting policies.

xii) Intangible Assets

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

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

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

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

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

xiii) Inventories and Long Term Contracts

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

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

xiv) Joint Operations

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

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

xv) Leases

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

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

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

The Authority as Lessee Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, 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.

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 reasonably influence the reader of the accounts. Notes are only included where items are considered to be material by value or nature.

xvii) Overheads and Support Services

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

xviii) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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.
- school buildings - current value, but because of their specialised nature, are measured at depreciated replacement cost which is used 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 non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings - the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets. Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer and is between 15-100 years.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, 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 it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xix) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg 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.

Provision for Back Pay Arising from Unequal Pay Claims

Job evaluation was implemented during 2016-17 and backpay was included where appropriate. There is no provision for backpay or equal pay claims.

Contingent Liabilities

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

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

Contingent Assets

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

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

xx) 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.

xxi) 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.

xxiii) Shared Services

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

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

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

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

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

xxiii) Value Added Tax (VAT)

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

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

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

International Accounting Standard (IAS) 8 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 by the code. The 2017/18 CIPFA code of Practice include the amendments listed below; it is expected that these will have no material impact on the Statement of Accounts.

- an amendment to the reporting of pension fund scheme transaction costs which will require disclose the total amount of transaction costs of all major asset classes, including an explanation to enable users to understand the nature of the transaction costs and how they arise for different types of investment.
- an amendment to the reporting of investment concentration, requiring the disclosure of details of any single investment exceeding 5% of the net assets available for benefits.

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £1,816k and a General Fund Balance of £1,895k.

The Council has determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.

The Council has made a provision against the potential cost of business rates appeals based on indicative information from the Valuation Office combined with other factors including the outcome of previous appeals and local knowledge. In total the provision for rating appeals at 31 March 2017 was £2,842k and the Council share is 40% amounting to £1,137k. Further details are in Note 22 on page 48.

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

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE (excluding Council dwellings) would increase by £86k for every year that useful lives had to be reduced. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2,953k. Further sensitivity analysis can be seen in the defined benefit pension scheme note. |
| Bad Debt Provisions | As at 31 March 2017 the Council had sundry debtor arrears of £1.280m . Provisions for bad debts are made according to the age of the debt and past experience and a provision of £168k is in place in respect of these balances. | If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £46k would have to be set aside. |
| Provision for Business Rates Appeals | Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency. | Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £114k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts. |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 5 Material Items of Income and Expense

The following two material items have had an impact on the 2016/17 Financial Statements:-

Non-current Assets have increased from £258,242k to £298,667k and this mainly relates to revaluation of Council dwellings and garages which have increased in the year by £37,743k. The increase follows an increase to the social housing factor which has changed from 34% to 40% for the West Midlands. The increase in the valuation follows a deduction in 2010 when the social housing factor was last adjusted. In 2010/11 £56,218k was charged against the housing revenue account income and expenditure account. The increased valuation has been credited back to the housing revenue account income and expenditure account to largely reverse the 2010/11 charge.

There has been an increase in pension deficit from £65,375k to £73,881k. Note 35 on pages 63 to 65 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities (£24,714k), offset by increased assets (£16,208k).

Note 6 Events after the Reporting Period

The Council has entered into an arrangement with the Worcestershire Pension Fund to make an advance payment of pension contributions. The advance payment covers three years of pension contributions covering both the lump sum payments due to recover the prior year deficits and also 90% of the anticipated future contributions on current membership payments. The advance payment totalled £11,039k covering the financial years 2017/18 to 2019/20. Over the three years the discount amounts to £759k.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

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

| 2016/17 | | | Strategic Purpose | 2015/16 | | |
|--|--|---|--|--|--|---|
| Net Expenditure Chargable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 6,241 | 1,314 | 4,927 | Enabling of the Authority | 3,885 | (12) | 3,897 |
| (51) | (114) | 63 | Help me be financially independent (including Education and Skills) | 806 | 212 | 594 |
| 828 | (6) | 834 | Help me find somewhere to live in my locality | 1,070 | 135 | 935 |
| 143 | (72) | 215 | Help me to live my life independently (including Health and Activity) | 531 | 149 | 382 |
| (340) | (226) | (114) | Help me run a successful business | (238) | (14) | (224) |
| 3,555 | (715) | 4,270 | Keep my place safe and looking good | 4,530 | (326) | 4,856 |
| 725 | (456) | 1,181 | Provide good things for me to see, do and visit | 1,639 | 6 | 1,633 |
| 32,282 | 39,634 | (7,352) | Local authority housing - (HRA) | (8,234) | 1,207 | (9,441) |
| 43,383 | 39,359 | 4,024 | Net Cost of Services | 3,989 | 1,357 | 2,632 |
| (6,582) | 1,027 | (7,609) | Other Income and Expenditure | (6,077) | (308) | (5,769) |
| 36,801 | 40,386 | (3,585) | Surplus or Deficit | (2,088) | 1,049 | (3,137) |
| (23,758) | - | - | - Opening General Fund and HRA Balance | (21,670) | - | - |
| 36,801 | - | - | - Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year | (2,088) | - | - |
| 13,043 | - | - | - Closing General Fund and HRA Balance at 31 March | (23,758) | - | - |

Prior Period Adjustment - Restatement of 2015/16 Comprehensive Income and Expenditure Statement

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 now required the service analysis in the Comprehensive Income and Expenditure Statement (CIES) to be based on the organisational structure under which the Council operates and managed its services which is based on Strategic Priorities. Previously the presentation was based on the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice for Local Authorities (SERCOP). The 2015/16 comparative figures have been restated to reflect this change.

The other impact of the change in reporting based on organisational structure is that under SERCOP central departmental support recharges (CDC) were previously included. In line with the new reporting as the Council report their spend to management excluding central department support charges, these are no longer included.

The overall gross expenditure, gross income and net cost of services have remained the same. However the analysis of income and expenditure has changed and a broad illustration of SERCOP and Strategic Priorities is found below.

| SERCOP Heading | Strategic Priorities |
|---------------------------------------|---|
| Central Services to the Public | Enabling |
| Corporate and Democratic Core | |
| Non-Distributed Costs | |
| Cultural and Related Services | Provide Good things for me to see, do and visit |
| Environmental and Regulatory Services | Keep my place safe and looking good |
| | Help me to live my life independently |
| Planning Services | Keep my place safe and looking good |
| Highways and Transport Services | Keep my place safe and looking good |
| | Help me to live my life independently |
| | Help me to run a successful business |
| Other Housing Services | Help me to be financially independent |
| | Help me find somewhere to live in my locality |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 7a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2016/17

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Statutory Adjustments | Other Differences | Total |
|--|----------------------------------|---|-----------------------------|-------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Enabling of the Authority | (37) | 1,349 | 2 | 0 | 1,314 |
| Help me be financially independent (including Education and Skills) | (3) | (113) | 2 | 0 | (114) |
| Help me find somewhere to live in my locality | 0 | (7) | 1 | 0 | (6) |
| Help me to live my life independently (including Health and Activity) | (61) | (11) | 0 | 0 | (72) |
| Help me run a successful business | (223) | (4) | 1 | 0 | (226) |
| Keep my place safe and looking good | (443) | (273) | 1 | 0 | (715) |
| Provide good things for me to see, do and visit | (330) | (128) | 2 | 0 | (456) |
| Local authority housing - (HRA) | 38,927 | 707 | 0 | 0 | 39,634 |
| Net Cost of Services | 37,830 | 1,520 | 9 | 0 | 39,359 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 2625 | (2,281) | 683 | 0 | 1,027 |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 40,455 | (761) | 692 | 0 | 40,386 |

Adjustments between Funding and Accounting Basis 2015/16

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Statutory Adjustments | Other Differences | Total |
|--|----------------------------------|---|-----------------------------|-------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Enabling of the Authority | 336 | (352) | 3 | 0 | (12) |
| Help me be financially independent (including Education and Skills) | (5) | 215 | 2 | 0 | 212 |
| Help me find somewhere to live in my locality | (9) | 143 | 1 | 0 | 135 |
| Help me to live my life independently (including Health and Activity) | 14 | 134 | 1 | 0 | 149 |
| Help me run a successful business | (19) | 5 | 0 | 0 | (14) |
| Keep my place safe and looking good | (496) | 168 | 2 | 0 | (326) |
| Provide good things for me to see, do and visit | (355) | 357 | 4 | 0 | 6 |
| Local authority housing - (HRA) | 767 | 440 | 0 | 0 | 1,207 |
| Net Cost of Services | 233 | 1,111 | 13 | 0 | 1,357 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 892 | (2,179) | 979 | 0 | (308) |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 1,125 | (1,068) | 992 | 0 | 1,049 |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

| 2016/17 | Revenue from External Customers | Revenues from Transactions with Other Operating Segments of the Authority | Interest Revenue | Interest Expense | Depreciation and Amortisation | Material Non-cash Items other than Depreciation and Amortisation |
|---|---------------------------------|---|------------------|------------------|-------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Enabling of the Authority | (1,669) | 2,216 | (9) | 14 | 355 | 0 |
| Help me be financially independent (including Education and Skills) | (3,031) | 0 | 0 | 0 | 3 | 0 |
| Help me find somewhere to live in my locality | (289) | 0 | 0 | 0 | 0 | 0 |
| Help me to live my life independently (including Health and Activity) | (852) | 0 | 0 | 0 | 61 | 0 |
| Help me run a successful business | (1,170) | 0 | 0 | 0 | 137 | 0 |
| Keep my place safe and looking good | (2,546) | 0 | 0 | 0 | 443 | 0 |
| Provide good things for me to see, do and visit | (3,519) | 0 | 0 | 0 | 347 | 0 |
| Local authority housing - (HRA) | (24,949) | 0 | 0 | 3,559 | 6,061 | 37,743 |
| Total Income Analysed on a Segmental Basis | (38,025) | 2,216 | (9) | 3,573 | 7,407 | 37,743 |

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

| 2015/16 | Revenue from External Customers | Revenues from Transactions with Other Operating Segments of the Authority | Interest Revenue | Interest Expense | Depreciation and Amortisation | Material Non-cash Items other than Depreciation and Amortisation |
|---|---------------------------------|---|------------------|------------------|-------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Enabling of the Authority | (1,639) | 1,113 | (22) | 21 | 360 | 0 |
| Help me be financially independent (including Education and Skills) | (1,068) | 38 | 0 | 0 | 5 | 0 |
| Help me find somewhere to live in my locality | (2,617) | 137 | 0 | 0 | 9 | 0 |
| Help me to live my life independently (including Health and Activity) | (800) | 4 | 0 | 0 | 57 | 0 |
| Help me run a successful business | (1,252) | 22 | 0 | 0 | 18 | 0 |
| Keep my place safe and looking good | (2,614) | 2,170 | 0 | 0 | 496 | 0 |
| Provide good things for me to see, do and visit | (3,338) | 0 | 0 | 0 | 355 | 0 |
| Local authority housing - (HRA) | (24,894) | 0 | 0 | 3,542 | 5,967 | 397 |
| Total Income Analysed on a Segmental Basis | (38,222) | 3,484 | (22) | 3,563 | 7,267 | 397 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 8 Expenditure and Income Analysed by Nature

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

| Expenditure: | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Employee Benefits Expenses | 14,450 | 17,425 |
| Other Services Expenditure | 44,239 | 41,949 |
| Depreciation and Amortisation | 7,407 | 7,267 |
| Revaluation of HRA dwellings reversing previous losses | (37,743) | (396) |
| Interest Payments | 5,854 | 5,742 |
| Precepts and Levies | 8 | 8 |
| Payments to Housing Capital Receipts Pool | 783 | 886 |
| Gain on the Disposal of Assets | (2,644) | (762) |

| Income: | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Fees, Charges and other service Income | (38,025) | (38,045) |
| Interest and Investment Income | (9) | (310) |
| Income for Council tax, non-domestic rates, district rate income | (8,365) | (7,502) |
| Government grants and Contributions | (27,145) | (29,058) |
| Other Income | 0 | (475) |

| | | |
|--|-----------------|----------------|
| (Surplus) or Deficit on the Provision of Services | (41,190) | (3,271) |
|--|-----------------|----------------|

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

| 2016/17 | Usable Reserves | | | | | |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repair Reserves £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| Adjustments to the Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements. | | | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | 399 | 362 | | | | (761) |
| Council tax and NDR (transfers to or from the Collection Fund) | (683) | | | | | 683 |
| Holiday pay (transferred to the Accumulated Absences reserve) | (9) | 0 | | | | 9 |
| Equal pay settlements (transferred to the Unequal Pay / Back Pay Account) | 0 | | | | | 0 |
| 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) | 1,555 | (28,953) | | | | 27,398 |
| Total Adjustments to Revenue Resources | 1,262 | (28,591) | 0 | 0 | 0 | 27,329 |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,375) | (4,229) | 5,604 | | | |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | 0 | 91 | (91) | | | |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 783 | | (783) | | | |
| Posting of HRA resource from revenue to the Major Repairs Reserve | | (6,061) | | 6,061 | | |
| Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account) | (709) | 0 | | | | 709 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (39) | (1,185) | | | | 1,224 |
| Total Adjustments to Revenue Resources | (1,340) | (11,384) | 4,730 | 6,061 | 0 | 1,933 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | (2,301) | | | 2,301 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | (6,090) | | 6,090 |
| Application of capital grants to finance capital expenditure | (333) | 0 | | | 20 | 313 |
| Total Adjustments to Capital Resources | (333) | 0 | (2,301) | (6,090) | 20 | 8,704 |
| Total Adjustments | (411) | (39,975) | 2,429 | (29) | 20 | 37,966 |

| 2015/16 | Usable Reserves | | | | | |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repair Reserves | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments to the Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements. | | | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | 645 | 423 | | | | (1,068) |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | 0 | 0 | | | | 0 |
| Council tax and NDR (transfers to or from the Collection Fund) | (979) | | | | | 979 |
| Holiday pay (transferred to the Accumulated Absences reserve) | (13) | 0 | | | | 13 |
| Equal pay settlements (transferred to the Unequal Pay / Back Pay Account) | 0 | | | | | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 2,930 | 7,680 | | | | (10,610) |
| Total Adjustments to Revenue Resources | 2,583 | 8,103 | 0 | 0 | 0 | (10,686) |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,888) | (2,920) | 4,808 | | | |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | 14 | 65 | (79) | | | |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 886 | | (886) | | | |
| Posting of HRA resource from revenue to the Major Repairs Reserve | | (5,967) | | 5,967 | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (37) | 0 | | | | 37 |
| Mitigation of operating leases as lessee reclassified as finance leases upon transition to IFRS | 28 | | (14) | | | (14) |
| Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account) | (932) | 0 | | | | 932 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (34) | (437) | | | | 471 |
| Total Adjustments to Revenue Resources | (1,963) | (9,259) | 3,829 | 5,967 | 0 | 1,426 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | (3,725) | | | 3,725 |
| Use of the Major Repairs Reserve to finance capital expenditure | | | | (5,859) | | 5,859 |
| Application of capital grants to finance capital expenditure | (513) | 0 | | | 440 | 73 |
| Cash payments in relation to deferred capital receipts | | | 31 | | | (31) |
| Total Adjustments to Capital Resources | (513) | 0 | (3,694) | (5,859) | 440 | 9,626 |
| Total Adjustments | 107 | (1,156) | 135 | 108 | 440 | 366 |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17

| | Balance as at 1 April 2015 | Transfers In 2015/16 | Transfers Out 2015/16 | Balance as at 31 March 2016 | Transfers In 2016/17 | Transfers Out 2016/17 | Balance as at 31 March 2017 |
|---------------------------------|-------------------------------|-------------------------|-----------------------------|-----------------------------------|-------------------------|-----------------------------|-----------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund: | | | | | | | |
| 2 Pennies | 8 | 0 | 0 | 8 | 0 | (8) | 0 |
| Arts Development | 8 | 2 | 0 | 10 | 0 | (10) | 0 |
| Business Rate grants | 490 | 0 | (483) | 7 | 0 | 0 | 7 |
| Car Loan Guarantee Scheme | 7 | 0 | 0 | 7 | 0 | (7) | 0 |
| Support for Commercialism | 0 | 0 | 0 | 0 | 50 | 0 | 50 |
| Community Development | 110 | 0 | (82) | 28 | 50 | (60) | 18 |
| Community Safety | 229 | 304 | (242) | 291 | 357 | (291) | 357 |
| Corporate Services | 0 | 0 | 0 | 0 | 150 | 0 | 150 |
| Customer Services | 0 | 0 | 0 | 0 | 12 | 0 | 12 |
| DWP FERIS | 0 | 11 | 0 | 11 | 17 | 0 | 28 |
| Economic Development | 24 | 0 | (24) | 0 | 0 | 0 | 0 |
| Electoral Services | 74 | 26 | 0 | 100 | 45 | (17) | 128 |
| Energy | 0 | 17 | 0 | 17 | 0 | (17) | 0 |
| Environmental Health | 1 | 0 | (1) | 0 | 0 | 0 | 0 |
| Environmental Services | 0 | 0 | 0 | 0 | 39 | 0 | 39 |
| Equalities | 0 | 0 | 0 | 0 | 11 | 0 | 11 |
| Equipment Replacement | 0 | 0 | 0 | 0 | 100 | 0 | 100 |
| Hemming Road Enterprise Centre | 20 | 0 | (20) | 0 | 0 | 0 | 0 |
| Housing Benefit Implementation | 74 | 45 | 0 | 119 | 27 | (119) | 27 |
| Housing Support | 306 | 117 | 0 | 423 | 101 | (21) | 503 |
| IT Licences | 15 | 0 | 0 | 15 | 0 | (15) | 0 |
| Job Evaluation | 755 | 0 | (755) | 0 | 0 | 0 | 0 |
| Land Charges | 100 | 61 | (62) | 99 | 0 | (90) | 9 |
| Land Drainage | 20 | 25 | 0 | 45 | 195 | (20) | 220 |
| Lifeline | 0 | 14 | 0 | 14 | 4 | (14) | 4 |
| Mercury Emissions | 15 | 0 | (1) | 14 | 20 | 0 | 34 |
| Planning Services | 117 | 0 | (78) | 39 | 0 | (39) | 0 |
| Public Donations - Shopmobility | 29 | 0 | (3) | 26 | 0 | (6) | 20 |
| Regulatory Service | 31 | 0 | 0 | 31 | 0 | (31) | 0 |
| Risk Management | 19 | 0 | (19) | 0 | 0 | 0 | 0 |
| Shared Services/Transformation | 10 | 0 | 0 | 10 | 0 | (10) | 0 |
| Sports Development | 103 | 49 | (102) | 50 | 40 | (49) | 41 |
| Town Centre | 51 | 0 | 0 | 51 | 0 | (7) | 44 |
| Warmer Homes | 0 | 12 | 0 | 12 | 0 | 0 | 12 |
| PPL Retained Earnings | 0 | (4) | 0 | (4) | 6 | 0 | 2 |
| Total General Fund | 2,616 | 679 | (1,872) | 1,423 | 1,224 | (831) | 1,816 |
| HRA | | | | | | | |
| Housing Capital | 15,998 | 2,631 | 0 | 18,629 | 2,025 | (1,185) | 19,469 |
| Job Evaluation | 0 | 300 | 0 | 300 | 0 | (300) | 0 |
| Supporting People | 41 | 0 | 0 | 41 | 0 | 0 | 41 |
| Total HRA | 16,039 | 2,931 | 0 | 18,970 | 2,025 | (1,485) | 19,510 |
| Total Earmarked Reserves | 18,655 | 3,610 | (1,872) | 20,393 | 3,249 | (2,316) | 21,326 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 11 Other Operating Expenditure

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Parish council precepts | 8 | 8 |
| Payments to the Government Housing Capital Receipts Pool | 783 | 886 |
| Gains/losses on the disposal of non current assets | (2,645) | (762) |
| Other | 0 | 41 |
| Total | (1,854) | 173 |

Note 12 Financing and Investment Income and Expenditure

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Interest payable and similar charges | 3,573 | 3,563 |
| Net interest on the net defined benefit liability (asset) | 2,281 | 2,179 |
| Interest receivable and similar income | (9) | (22) |
| Income and expenditure in relation to investment properties and changes in their fair value | 0 | (294) |
| Other investment income | 0 | 6 |
| Total | 5,845 | 5,432 |

Note 13 Taxation and Non-Specific Grant Income and Expenditure

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Income | | |
| Council Tax Income | (5,864) | (5,436) |
| Non Domestic Rates Income and Expenditure | (2,501) | (2,066) |
| Non-ringfenced government grants | (2,473) | (3,013) |
| Capital Grants and Contributions | (763) | (859) |
| Total | (11,601) | (11,374) |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 14 Property, Plant and Equipment

Current Year

| | Property, Plant & Equipment (PP&E) | | | | | | | | |
|--|------------------------------------|--------------|---------------|-----------------------------|-----------------------|------------------|-------------------------|----------------|----------------|
| | Council Dwellings | Land | Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | PP&E Under Construction | Surplus Assets | Total PP&E |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2016 | 211,548 | 5,890 | 31,654 | 12,067 | 2,799 | 1,372 | 522 | 1,745 | 267,597 |
| Additions (Note 41) | 8,991 | 0 | 505 | 1,450 | 527 | 6 | 330 | 0 | 11,809 |
| Revaluation increases/decreases to Revaluation Reserve | 0 | 249 | 318 | 0 | 0 | 0 | 0 | 3 | 570 |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | 31,751 | (40) | (25) | 0 | 0 | 0 | 0 | 0 | 31,686 |
| Derecognition - Disposals | (2,727) | 0 | 0 | (414) | 0 | 0 | 0 | 0 | (3,141) |
| Derecognition - Other | 0 | 0 | 0 | (607) | 0 | 0 | 0 | 0 | (607) |
| Reclassifications & Transfers | 0 | 0 | 7 | 0 | 479 | 0 | (486) | 0 | 0 |
| Balance as at 31 March 2017 | 249,563 | 6,099 | 32,459 | 12,496 | 3,805 | 1,378 | 366 | 1,748 | 307,914 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2016 | 0 | 0 | (615) | (8,202) | (538) | 0 | 0 | 0 | (9,355) |
| Depreciation Charge | (5,854) | 0 | (764) | (547) | (94) | 0 | 0 | 0 | (7,259) |
| Depreciation written out on Revaluation Reserve | 0 | 0 | 586 | 0 | 0 | 0 | 0 | 0 | 586 |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 5,854 | 0 | 133 | 0 | 0 | 0 | 0 | 0 | 5,987 |
| Derecognition - Disposals | 0 | 0 | 0 | 373 | 0 | 0 | 0 | 0 | 373 |
| Derecognition - Other | 0 | 0 | 0 | 607 | 0 | 0 | 0 | 0 | 607 |
| Balance as at 31 March 2017 | 0 | 0 | (660) | (7,769) | (632) | 0 | 0 | 0 | (9,061) |
| Net Book Value | | | | | | | | | |
| Balance as at 31 March 2017 | 249,563 | 6,099 | 31,799 | 4,727 | 3,173 | 1,378 | 366 | 1,748 | 298,853 |
| Balance as at 31 March 2016 | 211,548 | 5,890 | 31,039 | 3,865 | 2,261 | 1,372 | 522 | 1,745 | 258,242 |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 14 a Comparative Year

| | Property, Plant & Equipment (PP&E) | | | | | | | | |
|--|------------------------------------|--------------|---------------|-----------------------------|-----------------------|------------------|-------------------------|----------------|----------------|
| | Council Dwellings | Land | Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | PP&E Under Construction | Surplus Assets | Total PP&E |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2015 | 211,529 | 5,778 | 30,915 | 10,165 | 2,630 | 1,349 | 484 | 0 | 262,850 |
| Additions (Note 41) | 7,791 | 0 | 410 | 1,897 | 169 | 23 | 43 | 67 | 10,400 |
| Revaluation increases/decreases to Revaluation Reserve | 0 | 46 | 9 | 0 | 0 | 0 | 0 | 1,716 | 1,771 |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | (5,700) | 66 | 340 | 0 | 0 | 0 | 0 | (67) | (5,361) |
| Derecognition - Disposals | (2,043) | 0 | (20) | 0 | 0 | 0 | 0 | 0 | (2,063) |
| Reclassifications & Transfers | (29) | 0 | 0 | 5 | 0 | 0 | (5) | 29 | 0 |
| Balance as at 31 March 2016 | 211,548 | 5,890 | 31,654 | 12,067 | 2,799 | 1,372 | 522 | 1,745 | 267,597 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2015 | 0 | 0 | (415) | (7,625) | (444) | 0 | 0 | 0 | (8,484) |
| Depreciation Charge | (5,834) | 0 | (663) | (577) | (94) | 0 | 0 | 0 | (7,168) |
| Depreciation written out on Revaluation Reserve | 0 | 0 | 331 | 0 | 0 | 0 | 0 | 0 | 331 |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 5,834 | 0 | 132 | 0 | 0 | 0 | 0 | 0 | 5,966 |
| Balance as at 31 March 2016 | 0 | 0 | (615) | (8,202) | (538) | 0 | 0 | 0 | (9,355) |
| Net Book Value | | | | | | | | | |
| Balance as at 31 March 2016 | 211,548 | 5,890 | 31,039 | 3,865 | 2,261 | 1,372 | 522 | 1,745 | 258,242 |
| Balance as at 31 March 2015 | 211,529 | 5,778 | 30,500 | 2,540 | 2,186 | 1,349 | 484 | 0 | 254,366 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Depreciation

All assets other than land have been depreciated using a straight line method. For the housing revenue account the depreciation is an amount equivalent to the major repairs allowance has been used which represents the estimated annual cost of maintaining the condition of the housing stock over a 30 year period and this is considered a reasonable estimate of depreciation.

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

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

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

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is measured at fair value at least every 5 years. All valuations are carried out by the Council's valuation provider, Place Partnership Limited. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Valuations of non-current assets carried at current value:

| Description | Dwellings £000 | Land £000 | Building £000 | Surplus Assets £000 | Other Asset Classes £000 | Total £000 |
|-----------------------------|-------------------|--------------|------------------|------------------------|--------------------------------|----------------|
| Valued at Historical Cost | | | | | 9,644 | 9,644 |
| Valued at current value in: | | | | | | 0 |
| 2016/17 | 249,563 | 1,473 | 7,108 | 1,748 | | 259,892 |
| 2015/16 | | 2,780 | 3,329 | | | 6,109 |
| 2014/15 | | 1,846 | 12,934 | | | 14,780 |
| 2013/14 | | | 4,172 | | | 4,172 |
| 2012/13 | | | 4,256 | | | 4,256 |
| Total | 249,563 | 6,099 | 31,799 | 1,748 | 9,644 | 298,853 |

Other asset classes include Vehicles, Plant and Equipment (£4,727k), Infrastructure (£3,173k), Community Assets (£1,378k) and Assets under construction (£366k).

Fair Value Hierarchy for Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

| 2016/17 Recurring fair value measurements using: | Quoted Prices in active markets for identical assets (Level 1) £000 | Other significant observable inputs (Level 2) £000 | Significant unobservable inputs (Level 3) £000 | Fair value as at 31st March 2017 £000 |
|--|--|---|---|--|
| Land at Upper Norgrove | | 1,501 | | 1,501 |
| Land at Middlehouse Lane | | 247 | | 247 |
| Total | 0 | 1,748 | 0 | 1,748 |

| 2015/16 Recurring fair value measurements using: | Quoted Prices in active markets for identical assets (Level 1) £000 | Other significant observable inputs (Level 2) £000 | Significant unobservable inputs (Level 3) £000 | Fair value as at 31st March 2016 £000 |
|--|--|---|---|--|
| Land at Upper Norgrove | | 1,500 | | 1,500 |
| Land at Middlehouse Lane | | 245 | | 245 |
| Total | 0 | 1,745 | 0 | 1,745 |

Transfers between levels of the fair value hierarchy

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

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

Significant observable inputs – Level 2

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,748k. All valuations are carried out by Place Partnership Limited, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Place Partnership Limited work closely with finance officers reporting directly to the Executive Director of Finance and Corporate Resources on a regular basis regarding all valuation matters.

Redditch Borough Council

Notes to the Financial Statements
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Note 15 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £146k charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service.

A review was undertaken in 2016/17 to intangible assets that were no longer in use. All the assets removed were fully amortised with a net carrying value of zero. The removal of these assets is recorded in the table below through the derecognition of £191k gross carrying value and £191k amortisation.

The Movement in Intangible Assets for the Year is as Follows

| | 2016/17 | | | 2015/16 | | |
|---|-----------------------------|--------------|------------|-----------------------------|--------------|------------|
| | Internally Generated Assets | Other Assets | Total | Internally Generated Assets | Other Assets | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at start of year: | | | | | | |
| · Gross carrying amounts | 0 | 1,791 | 1,791 | 0 | 1,679 | 1,679 |
| · Accumulated amortisation | 0 | (1,518) | (1,518) | 0 | (1,421) | (1,421) |
| Net carrying amount at start of year | 0 | 273 | 273 | 0 | 258 | 258 |
| Additions: | | | | | | |
| · Internal development | 0 | | 0 | 0 | 0 | 0 |
| · Purchases | | 60 | 60 | | 112 | 112 |
| Derecognition | | (191) | (191) | | | 0 |
| | 0 | 142 | 142 | 0 | 370 | 370 |
| Amortisation for the period | 0 | (146) | (146) | 0 | (97) | (97) |
| Derecognition | 0 | 191 | 191 | 0 | 0 | 0 |
| Net carrying amount at end of year | 0 | 187 | 187 | 0 | 273 | 273 |
| Comprising: | | | | | | |
| · Gross carrying amounts | 0 | 1,660 | 1,660 | 0 | 1,791 | 1,791 |
| · Accumulated amortisation | 0 | (1,473) | (1,473) | 0 | (1,518) | (1,518) |
| Net carrying amount at end of year | 0 | 187 | 187 | 0 | 273 | 273 |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 16 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

| | Long-term | | Current | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31/03/2017 £000 | 31/03/2016 £000 | 31/03/2017 £000 | 31/03/2016 £000 |
| Cash and Cash Equivalents | 0 | 0 | 901 | 0 |
| Cash and Cash Equivalents | 0 | 0 | 901 | 0 |
| Debtors | | | | |
| Loans and receivables | 950 | 731 | 0 | 0 |
| Financial assets carried at contract amounts | 0 | 0 | 4,734 | 5,762 |
| Total Debtors | 950 | 731 | 4,734 | 5,762 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | (104,063) | (104,053) | (3,000) | (5,000) |
| Financial liabilities reflected as cash and cash equivalents | 0 | 0 | 0 | (480) |
| Total borrowings | (104,063) | (104,053) | (3,000) | (5,480) |
| Total other long term liabilities | (104,063) | (104,053) | (3,000) | (5,480) |
| Creditors | | | | |
| Financial liabilities carried at contract amount | 0 | 0 | (6,239) | (7,167) |
| Total creditors | 0 | 0 | (6,239) | (7,167) |

There has been a review of long term loans which identified that the balance had been understated by £327k. The main reasons were that loans in previous years for homes of multiple occupation (£175k) and some lifetime loans to owner occupiers had not been treated as long term debtors but recorded as revenue expenditure financed by capital by statute.

Soft Loans

| | 2016/17 | 2015/16 |
|--|------------|----------|
| Opening Soft Loans | 0 | 0 |
| Nominal Value of New Loans Granted During the Period | 31 | 0 |
| The fair value adjustment on initial recognition | (7) | 0 |
| Reclassification | 959 | 0 |
| The fair value adjustment on reclassification | (95) | 0 |
| Nominal value of loans at the end of the period | 888 | 0 |

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

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

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

| Financial Liabilities | Balance as at 31 March 2017 | | 31st March 2016 | |
|---|-----------------------------|--------------------|-------------------------|--------------------|
| | Carrying amount £000 | Fair Value £000 | Carrying amount £000 | Fair Value £000 |
| Financial liabilities held at amortised cost: | | | | |
| PWLB Loans | 98,966 | 116,148 | 98,956 | 107,054 |
| Long Term Loans | 5,097 | 6,900 | 5,097 | 6,642 |
| Total | 104,063 | 123,048 | 104,053 | 113,696 |

The fair value of borrowings is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

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

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

| Recurring Fair Value Measurements using: | 31st March 2017 | | | | 31st March 2016 | | | |
|--|--|---|---|----------------|--|---|---|----------------|
| | Quoted prices in active markets for identical assets / liabilities (level 1) £000 | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 | Quoted prices in active markets for identical assets / liabilities (level 1) £000 | Other significant observable inputs (level 2) £000 | Significant unobservable inputs (level 3) £000 | Total £000 |
| Financial Liabilities | | | | | | | | |
| Financial liabilities held at amortised cost: | | | | | | | | |
| PWLB | 0 | 116,148 | 0 | 116,148 | 0 | 107,054 | 0 | 107,054 |
| Long Term Loan | 0 | 6,900 | 0 | 6,900 | 0 | 6,642 | 0 | 6,642 |
| Total | 0 | 123,048 | 0 | 123,048 | 0 | 113,696 | 0 | 113,696 |

The fair value of Public Works Loan Board (PWLB) loans of £116,148k measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the (additional/reduced) interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that would be paid if the loans were at prevailing market rate.

| Financial Liabilities |
|---|
| - No early repayment is recognised |
| - The interest rates payable at 31 March 2017 range between 3.01% to 4.71% and the fair value calculation uses current lending rates for equivalent loans at that date which range from 0.95% to 1.94%. |

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Note 17 Inventories

| | Consumable Stores | | Maintenance Materials | | Total | |
|---|-------------------|-----------|-----------------------|------------|------------|------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance outstanding at start of year | 31 | 34 | 251 | 271 | 282 | 305 |
| Purchases | 19 | 0 | 832 | 745 | 851 | 745 |
| Recognised as an expense in year | (11) | (3) | (824) | (769) | (835) | (772) |
| Written off balances | | | 24 | 4 | 24 | 4 |
| Balance outstanding at year end | 39 | 31 | 283 | 251 | 322 | 282 |

Note 18 Debtors

| | Long term debtors | | Short term debtors | |
|--------------------------------|-------------------|------------|--------------------|--------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £000 | £000 | £000 | £000 |
| Central Government Bodies | 0 | 0 | 1,057 | 1,007 |
| Other Local Authorities | 0 | 0 | 1,401 | 2,934 |
| Other entities and individuals | 950 | 731 | 6,452 | 5,134 |
| Housing Rents | 0 | 0 | 1,221 | 1,285 |
| Less bad debt provision | 0 | 0 | (2,927) | (2,925) |
| Total | 950 | 731 | 7,204 | 7,435 |

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

| | 2016/17 | 2015/16 |
|----------------------|---------|---------|
| | £000 | £000 |
| General Fund Debtors | (85) | (257) |
| Council Tax | (511) | (408) |
| NNDR | (688) | (760) |
| Housing Benefit | (1,091) | (933) |
| Housing Rents | (552) | (567) |

Note 19 Cash and Cash Equivalents

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

| | 2016/17 | 2015/16 | 2014/15 |
|------------------------|------------|--------------|--------------|
| | £000 | £000 | £000 |
| Cash and Bank balances | 901 | 88 | 42 |
| Short Term Investments | 0 | 0 | 0 |
| Short Term Deposits | 0 | 0 | 0 |
| Bank Overdraft | 0 | (568) | (198) |
| Total | 901 | (480) | (156) |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 20 Assets Held for Sale

| | Current | |
|---|------------|------------|
| | 2016/17 | 2015/16 |
| | £000 | £000 |
| Balance outstanding at start of year | 101 | 567 |
| Assets declassified as held for sale: | | |
| Assets sold | (101) | (466) |
| Balance outstanding at year-end | 0 | 101 |

The asset held for sale related to land at Birmingham Road, Redditch which was sold during 2016/17 for £105k and was held for sale with a carrying value of £101k.

Note 21 Creditors

| | RESTATED | |
|--------------------------------|----------------|----------------|
| | 2016/17 | 2015/16 |
| | £000 | £000 |
| Central government bodies | (1,573) | (2,615) |
| Other local authorities | (2,750) | (2,150) |
| Housing Rents prepaid | (561) | (555) |
| Other entities and individuals | (3,254) | (2,810) |
| Total | (8,138) | (8,130) |

An adjustment has been made to the Employee Benefit Provision for 2015/16 as it was incorrectly classified under creditors instead of within in the provision calculation.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 22 Provisions

| | Balance as at 1 April 2016 £000 | Change in provision during year £000 | Utilised during year £000 | Balance as at 31 March 2017 £000 |
|-----------------------|---------------------------------------|---|---------------------------------|---|
| Compensation Payments | (520) | (28) | 0 | (548) |
| NNDR Appeals | (995) | (142) | 0 | (1,137) |
| Employee Benefit | (154) | 9 | 0 | (145) |
| Total | (1,669) | (161) | 0 | (1,830) |

Comparative Year

| | RESTATED | | | |
|-----------------------------|---------------------------------------|---|---------------------------------|---|
| | Balance as at 1 April 2015 £000 | Change in provision during year £000 | Utilised during year £000 | Balance as at 31 March 2016 £000 |
| Compensation Payments | (480) | (40) | 0 | (520) |
| NNDR Appeals | (1,435) | 0 | 440 | (995) |
| Employee Benefit | (167) | 13 | | (154) |
| Total | (2,082) | (27) | 440 | (1,669) |
| Current Provisions | (2,082) | (27) | 440 | (1,669) |
| Long Term Provisions | 0 | 0 | 0 | 0 |
| Total | (2,082) | (27) | 440 | (1,669) |

An adjustment has been made to the Employee Benefit Provision for 2015/16 as it was incorrectly classified under creditors instead of within in the provision calculation.

Business Rates Appeals Provision

The Council has set aside a provision for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals and the £1,137k is an estimate of the potential refunds based on appeals received up to 31st March 2017.

Insurance Provision

The Council also holds a provision for potential insurance claims, this is currently £548k. The Council self insures up to the value of £27k per claim and this provision is calculated with regard to the level of outstanding claims.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 23 Usable Reserves

| | 31/03/2017 | 31/03/2016 |
|---------------------------------|---------------|---------------|
| | £000 | £000 |
| Capital Receipt Reserve | 4,187 | 1,758 |
| Capital Grants Unapplied | 1,268 | 1,248 |
| Major Repairs Reserve | 92 | 121 |
| HRA Balances | 1,475 | 1,475 |
| HRA Earmarked Reserves | 19,510 | 18,970 |
| General Fund Balances | 1,895 | 2,025 |
| General Fund Earmarked Reserves | 1,816 | 1,423 |
| Total Unusable Reserves | 30,243 | 27,020 |

Capital Receipts Reserve

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

| | 31/03/2017 | 31/03/2016 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Balance 1 April | 1,758 | 1,623 |
| Capital Receipts in year | 5,513 | 4,729 |
| Deferred Receipts realised | 0 | 17 |
| Sub-Total | 7,271 | 6,369 |
| Less: | | |
| Capital Receipts Pooled | (783) | (886) |
| Capital Receipts used for financing | (2,301) | (3,725) |
| Balance 31 March | 4,187 | 1,758 |

The main capital receipts were from the sale of Council houses (£4,046k) and a release of a covenant in Nine Days Lane (£1,240k).

General Fund capital receipts received in 2016/17 (£1,375k mainly consisting of the Nine Days Lane receipt) have not been used for capital financing. The reason for this is that from 1st April 2016 local authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. The £1,375k will be carried forward and used either for financing capital investment or funding projects qualifying for the flexible use.

There are also £2,207k housing revenue account capital receipts earmarked for financing the acquisition of new housing stock. Under the regulations capital receipts can be used to fund 30% of the acquisition with the remaining 70% being funded for the HRA earmarked reserves.

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £6,061k in the year. The reserve was used to finance £6,090k of the Housing Investment Programme reducing the balance held in the reserve from £121k to £92k.

| | 2016/17 | 2015/16 |
|--|-----------|------------|
| | £000 | £000 |
| Balance at 1 April | 121 | 13 |
| Depreciation | 6,061 | 5,967 |
| Capital expenditure on HRA Land, Houses and Other Property | (6,090) | (5,859) |
| Balance at 31 March | 92 | 121 |

Capital Grants Unapplied

| | 31/03/2017 | 31/03/2016 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance on 1 April | 1,248 | 808 |
| Unapplied Capital Grants received in year | 333 | 513 |
| Capital Grants applied in year to finance capital projects | (313) | (73) |
| Balance on 31 March | 1,268 | 1,248 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 24 Unusable Reserves

| | 31/03/2017 | 31/03/2016 |
|---|---------------|---------------|
| | £000 | £000 |
| Revaluation Reserve | 11,388 | 10,424 |
| Available for Sale Financial Instruments Reserve | 0 | 0 |
| Capital Adjustment Account | 149,653 | 110,433 |
| Financial Instruments Adjustment Account | 0 | 0 |
| Deferred Capital Receipts Reserve (England and Wales) | 0 | 666 |
| Pensions Reserve | (73,881) | (65,374) |
| Collection Fund Adjustment Account | 80 | (603) |
| Unequal Pay Back Pay Account | 0 | 0 |
| Accumulated Absences Account | (144) | (154) |
| Total Unusable Reserves | 87,096 | 55,392 |

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

| | 31/03/2017 | 31/03/2016 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 10,424 | 9,064 |
| Upward revaluation of assets | 1,156 | 2,102 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 1,156 | 2,102 |
| Difference between fair value depreciation and historical cost depreciation | (192) | (742) |
| Amount written off to the Capital Adjustment Account | (192) | (742) |
| Balance at 31 March | 11,388 | 10,424 |

Capital Adjustment Account

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

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

| | 31/03/2017 | | 31/03/16 | |
|--|------------|----------------|----------|-----------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | 110,433 | | 109,255 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non current assets | (1,273) | | (7,170) | |
| Revaluation losses on Property, Plant and Equipment | 31,686 | | 605 | |
| Amortisation of Intangible Assets | (146) | | (97) | |
| Revenue expenditure funded from capital under statute | (430) | | (512) | |
| 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 | (2,869) | | (3,979) | |
| | | 26,968 | | (11,153) |
| Adjusting amounts written out of the Revaluation Reserve | | 519 | | 742 |
| Net written out amount of the cost of non current assets consumed in the year | | 27,487 | | (10,411) |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 2,301 | | 3,725 | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 6,090 | | 5,859 | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 430 | | 346 | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 313 | | 73 | |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 709 | | 932 | |
| Capital expenditure charged against the General Fund and HRA balances | 1,224 | | 471 | |
| | | 11,067 | | 11,406 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 0 | | 197 |
| Deferred Capital Receipts realised | | 666 | | (14) |
| Balance at 31 March | | 149,653 | | 110,433 |

Pensions Reserve

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

| | 31/03/2017 | 31/03/2016 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Balance at 1 April | (65,375) | (68,184) |
| Remeasurements of the net defined benefit liability/(asset) | (7,745) | 3,878 |
| 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 | (4,876) | (4,942) |
| Employers pensions contributions and direct payments to pensioners payable in the year | 4,115 | 3,873 |
| Balance at 31 March | (73,881) | (65,375) |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

During 2016/17 a review of deferred capital receipts was completed which identified that the source of the deferred capital receipt was loans to long term debtors rather than disposals of a non-current assets with a deferred cash settlement. As a result the deferred capital receipt account has been written down to zero by a transfer to the Capital Adjustment Account.

| | 31/03/2017 | 31/03/2016 |
|--|------------|------------|
| | £000 | £000 |
| Balance at 1 April | 666 | 660 |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 37 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 0 | (31) |
| Deferred Capital Receipts written down on review of Long Term Debtors | (666) | 0 |
| Balance at 31 March | 0 | 666 |

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.

| | 31/03/2017 | 31/03/2016 |
|---|--------------|----------------|
| | £000 | £000 |
| Balance at 1 April | (603) | (1,582) |
| 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 | 683 | 979 |
| Balance at 31 March | 80 | (603) |

Accumulated Absences Account

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

| | 31/03/2017 | 31/03/2016 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | (154) | (167) |
| Settlement or cancellation of accrual made at the end of the preceding year | 154 | 167 |
| Amounts accrued at the end of the current year | (145) | (154) |
| Balance at 31 March | (145) | (154) |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 25 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

| | 2016/17 £000 | 2015/16 £000 |
|-------------------|-----------------|-----------------|
| Interest Paid | 3,546 | 3,569 |
| Interest Received | (9) | (22) |

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Adjustment to surplus or deficit on the provision of services for noncash movements | | |
| Depreciation | 7,259 | 7,168 |
| Impairment & downward valuations | (37,672) | (603) |
| Amortisation | 146 | 97 |
| (Increase)/Decrease in Debtors | 1,890 | (2,476) |
| Increase/(Decrease) in Creditors | (2,220) | 2,029 |
| (Increase)/Decrease in Inventories | (41) | 23 |
| Movement in pension liability | 761 | 1,068 |
| Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised | 2,869 | 3,979 |
| Other items charged to the net surplus or deficit on provision of services | 752 | (604) |
| Total | (26,256) | 10,681 |

| | | |
|---|----------------|----------------|
| 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 | (5,604) | (4,832) |
| Any other items | (763) | (859) |
| Total | (6,367) | (5,691) |

Note 26 Cash Flow From Investing Activities

| | 2016/17 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| Purchase of PP&E, investment property and intangible assets | (11,761) | (11,078) |
| Purchase of Short Term Investments (not considered to be cash equivalents) | (63,150) | (53,650) |
| Other Payments for Investing Activities | 188 | 0 |
| Proceeds from the sale of PP&E, investment property and intangible assets | 5,573 | 4,808 |
| Proceeds from Short Term Investments (not considered to be cash equivalents) | 63,150 | 53,650 |
| Other Receipts from Investing Activities | 1,030 | 894 |
| Net Cash flows from Investing Activities | (4,970) | (5,376) |

Note 27 Cash flows from Financing Activities

| | 2016/17 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| Cash Receipts from Short and Long Term Borrowing | 21,300 | 35,200 |
| Repayment of Short and Long Term Borrowing | (23,300) | (39,200) |
| Other payments for Financing Activities | (216) | 791 |
| Net Cash flows from Financing Activities | (2,216) | (3,209) |

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Note 28 Members' Allowances

During the year Members allowances, including employer's costs totalled £148k (2015/16 £150k) and are as follows:

| | 2016/17 £000 | 2015/16 £000 |
|--------------|-----------------|-----------------|
| Salaries | 95 | 97 |
| Allowances | 39 | 39 |
| Expenses | 14 | 14 |
| Total | 148 | 150 |

Note 29 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.

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Grant Certification Work 2015/16 | 8 | 0 |
| Grant Certification Work 2016/17 | 9 | 0 |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 58 | 76 |
| Fees payable in respect of other services provided during the year | 0 | 46 |
| Total | 75 | 122 |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 30 Employees Remuneration

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

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

| | | Salary, Fees and Allowances £ | Pension Contribution £ | Total £ | 50% share to Bromsgrove £ | Revised Total £ |
|--|---------|----------------------------------|---------------------------|------------|------------------------------|--------------------|
| Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council): | | | | | | |
| Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services | 2016/17 | 103,856 | 13,187 | 117,043 | 58,522 | 58,522 |
| | 2015/16 | 102,189 | 12,546 | 114,735 | 57,368 | 57,367 |
| TOTAL | 2016/17 | 103,856 | 13,187 | 117,043 | 58,522 | 58,522 |
| | 2015/16 | 102,189 | 12,546 | 114,735 | 57,368 | 57,367 |

Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough 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 | 2016/17 | 131,401 | 15,067 | 146,468 | 73,234 | 73,234 |
| | 2015/16 | 127,500 | 14,408 | 141,908 | 70,954 | 70,954 |
| Executive Director of Finance & Resources | 2016/17 | 95,906 | 11,149 | 107,055 | 53,528 | 53,528 |
| | 2015/16 | 94,945 | 10,662 | 105,607 | 52,804 | 52,804 |
| Head of Legal & Democratic Services | 2016/17 | 79,365 | 9,284 | 88,649 | 44,325 | 44,324 |
| | 2015/16 | 78,806 | 8,894 | 87,700 | 43,850 | 43,850 |
| TOTAL | 2016/17 | 306,672 | 35,500 | 342,172 | 171,087 | 171,086 |
| | 2015/16 | 301,251 | 33,964 | 335,215 | 167,608 | 167,607 |

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

| | 2016/17 | 2015/16 |
|--------------------|----------|----------|
| £50,001 to £55,000 | 0 | 1 |
| £55,001 to £60,000 | 4 | 2 |
| £60,001 to £65,000 | 0 | 0 |
| £65,001 to £70,000 | 1 | 1 |
| £70,001 to £75,000 | 0 | 0 |
| £75,001 to £80,000 | 3 | 3 |
| £80,001 to £85,000 | 0 | 0 |
| £85,001 to £90,000 | 0 | 0 |
| Total | 8 | 7 |

Bromsgrove District Council

| | 2016/17 | 2015/16 |
|--------------------|-----------|-----------|
| £50,001 to £55,000 | 4 | 2 |
| £55,001 to £60,000 | 9 | 8 |
| £60,001 to £65,000 | 0 | 0 |
| £65,001 to £70,000 | 0 | 0 |
| £70,001 to £75,000 | 0 | 0 |
| £75,001 to £80,000 | 3 | 4 |
| £80,001 to £85,000 | 0 | 1 |
| £85,001 to £90,000 | 1 | 0 |
| Total | 17 | 15 |

Exit Packages

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

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|--|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|----------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| £0-£20,000 | 0 | 0 | 26 | 16 | 26 | 16 | 195,229 | 98,974 |
| £20,001 - £40,000 | 0 | 0 | 1 | 3 | 1 | 3 | 47,159 | 75,817 |
| Total cost included in bandings | | | | | | | 242,388 | 174,791 |
| Recharge to Bromsgrove District Council | | | | | | | 0 | 0 |
| Cost to Redditch Borough Council | | | | | | | 242,388 | 174,791 |
| Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council | | | | | | | 67,655 | 1,721 |
| Total cost included in the CIES | | | | | | | 310,043 | 176,512 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 31 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

| Credited to Taxation and Non-Specific Grant Income | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Revenue Support Grant | (946) | (1,578) |
| New Homes Bonus | (1,075) | (1,435) |
| S31 | (436) | 0 |
| New Burdens | (16) | 0 |
| Capital Grants | (763) | (859) |
| Total | (3,236) | (3,872) |

| Credited to Services | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Cabinet Office - Individual Electoral Registration | (19) | (26) |
| DCLG - Council Tax Support Admin Subsidy | (113) | (121) |
| DCLG - Local Plans | 0 | (5) |
| DCLG - Cost of Collection | (110) | 0 |
| DCLG - Other Grant Income | (37) | 0 |
| DWP - Benefit Schemes | (70) | (194) |
| DWP - Discretionary Housing | (158) | (59) |
| DWP - Housing Benefit Subsidy | (22,947) | (23,798) |
| DWP - Housing Benefit Subsidy Admin Grant | (310) | (370) |
| Sport England Lottery Funding | (54) | (19) |
| Worcestershire County Council - Bus Grant | (7) | (111) |
| Worcestershire County Council - Essential Living Fund | 0 | (193) |
| Worcestershire County Council - Sports Development | (12) | (63) |
| Worcestershire County Council - Council Tax Hardship Fund | (56) | 0 |
| Fraud - Feris Maintenance Fund | (15) | (11) |
| Safer and Stronger Communities | 0 | (216) |
| Other Grants | (1) | 0 |
| Total | (23,909) | (25,186) |

The Authority has received £649k disabled facilities grant in 2016/17 from the Worcestershire Better Care Fund. £430k was applied in 2016/17 and the balance is yet to be recognised as income as the grant has conditions attached to it that may require the monies to be refunded. The balances at year-end are as follows:

Long-term Liabilities

| Grants Received in Advance (Capital) | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Disabled Facilities Grant | (219) | 0 |
| Total | (219) | 0 |

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 32 Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in Note 31.

Members

Members of the council have direct control over the council's financial and operating policies . The total of members allowances paid in 2016/17 is shown in Note 28. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

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

In 2016/17 all members have completed a register of members disclosable pecuniary interest. There are no material interest disclosures that require reporting.

Officers

There were no disclosures made by officers in 2016/17.

Entities Controlled or Significantly Influenced by the Authority

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £535k for hosting Environmental Health and Licensing.

As part of the shared services with Bromsgrove District Council, Redditch Borough Council received £2,787k for services it hosted and paid £5,552k for services hosted by Bromsgrove.

The Council has been involved in shared service arrangements for Markets, Economic Development and Land Drainage with Wyre Forest District Council. The Council has paid £338k to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove and Wyre Forest for the provision of Building Control. Redditch Borough Council paid Bromsgrove District Council £94k for this service (this figure is included within the shared service figures above).

For the provision of Car Park Services, the Council paid £44k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £88k to Worcester City Council.

In total, the Council received £1,647k from Worcestershire County Council for running the Early Help services.

From 1st September 2015, the Council entered into an arrangement with Place Partnership Limited for the provision of Asset Maintenance. The cost in 2016/17 was £431k.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 33 Capital Expenditure and Capital Financing

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

| Capital Expenditure and Capital Financing | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 137,790 | 138,162 |
| Capital Investment | | |
| Property, Plant and Equipment | 11,809 | 10,400 |
| Investment Properties | 0 | 0 |
| Intangible Assets | 60 | 112 |
| Heritage Assets | 0 | 10 |
| Long Term Debtors | 31 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 430 | 512 |
| Total Capital investments | 12,330 | 11,034 |
| | | |
| Sources of finance | | |
| Capital receipts | (2,301) | (3,725) |
| Government grants and other contributions | (743) | (419) |
| | 0 | 0 |
| Major Repairs Allowance | (6,090) | (5,859) |
| | | |
| Sums set aside from revenue: | | |
| Direct revenue contributions: | | |
| General Fund | (39) | (34) |
| HRA | (1,185) | (437) |
| Minimum Revenue Provision | (709) | (932) |
| Total Sources of Finance | (11,067) | (11,406) |
| | | |
| Long Term Debtors previously financed through CFR | (993) | 0 |
| | | |
| Closing Capital Finance Requirement | 138,060 | 137,790 |
| | | |
| Explanation of movements in year | | |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 270 | (372) |
| Increase/(decrease) in Capital Financing Requirement | 270 | (372) |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 34 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority as lessee)

Payments amounting to £49k have been made in relation to vehicle leases in 2016/17. This is because the Council had to extend the lease to allow for delivery of replacement vehicles, most of these were returned by 31st March 2017 and the remainder by May 2017, costs of £2k have been incurred in 2017/18. The Rubicon Centre is leased with a remaining lease period of just over 2 years. This is a business centre sublet to small business.

The Council also leases photocopiers and other office equipment, this lease is due to finish on 30th April 2018.

The future minimum lease payments due under non-cancellable operating leases in future years are set

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Minimum lease rentals payable: | | |
| No later than 1 year | 159 | 44 |
| Later than 1 year and no later than 5 years | 13 | 38 |
| Total | 172 | 82 |

An amendment has been made to the analysis for 2015/16 as the figures that were included only accounted for a quarter rather than a full year.

The expenditure charged to services in the CIES during the year in relation to these leases was:

| | 2016/17 £000 | 2015/16 £000 |
|------------------------------------|-----------------|-----------------|
| Minimum lease payments | 292 | 274 |
| Less: Sublease payments receivable | (191) | (107) |
| Total | 101 | 167 |

Finance Leases

The Council has no finance leases.

Authority as Lessor:

Operating Leases

The Council has no operating leases.

Finance Leases

Within 2016/17 the Council no longer had a finance lease relation to Threadneedle House as this was sold in July 2015.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Note 35 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

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

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

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

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|---------------------------------|-----------------|------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 |
| Comprehensive Income and Expenditure Statement | | | | |
| <i>Cost of services:</i> | | | | |
| <i>Service cost comprising:</i> | | | | |
| Current service cost | 2,233 | 2,653 | 0 | 0 |
| Past service cost | 362 | 110 | 0 | 0 |
| (Gain)/loss from settlements | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure: | | | | |
| Net Interest expense | 2,146 | 2,047 | 135 | 132 |
| Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services | 4,741 | 4,810 | 135 | 132 |

| Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement | | | | |
|---|---------------|--------------|------------|------------|
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (11,856) | 4,323 | 0 | 0 |
| Actuarial gains and losses arising on changes in demographic assumptions | (17,264) | (8,126) | (232) | 0 |
| Actuarial gains and losses arising on changes in financial assumptions | 36,217 | 0 | 633 | (134) |
| Other | 247 | 59 | 0 | 0 |
| Total post employment benefits charged to the Comprehensive Income and Expenditure Statement | 12,085 | 1,066 | 536 | (2) |

| 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 | (4,741) | (4,810) | (135) | (132) |
| Actual amount charged against the general fund balance for pensions in the year: | | | | |
| Employers' contributions payable to scheme | 3,839 | 3,594 | | |
| Retirement benefits payable to pensioners | | | 276 | 279 |

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|---------------------------------|-----------------|------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 |
| Present value of the defined obligation | (168,128) | (143,591) | (4,147) | (3,887) |
| Fair value of plan assets | 98,561 | 82,353 | 0 | 0 |
| Net liability arising from the defined benefit obligation | (69,567) | (61,238) | (4,147) | (3,887) |

| Net Liability and Pension Strain | Local Government Pension Scheme | |
|----------------------------------|---------------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 |
| Local Government Pension Scheme | (69,567) | (61,238) |
| Discretionary Benefits | (4,147) | (3,887) |
| Pension Strain Liability | (167) | (250) |
| Total | (73,881) | (65,375) |

Reconciliation of movements in the fair value of scheme assets

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|---------------------------------|-----------------|------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 |
| Opening fair value of scheme assets | 82,353 | 83,858 | 0 | 0 |
| Interest income | 3,022 | 2,780 | 0 | 0 |
| Remeasurement gain/(loss): the return on plan assets, excluding the amount included in the net interest expense | 11,856 | (4,323) | 0 | 0 |
| Incorporation of Place Partnership Assets | 1,023 | 0 | 0 | 0 |
| Increased share in Reg Services Assets | 754 | 464 | 0 | 0 |
| Contributions from employer | 3,839 | 3,594 | 276 | 279 |
| Contributions from employees into the scheme | 636 | 659 | 0 | 0 |
| Benefits/transfers paid | (4,884) | (4,638) | (276) | (279) |
| Administration costs | (38) | (41) | 0 | 0 |
| Closing value of scheme assets | 98,561 | 82,353 | 0 | 0 |

Reconciliation of present value of the scheme liabilities:

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|---------------------------------|------------------|------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 |
| Opening balance at 1 April | (143,591) | (147,457) | (3,887) | (4,168) |
| Current service cost | (2,233) | (2,653) | 0 | 0 |
| Interest cost | (5,168) | (4,827) | (135) | (132) |
| Contributions from scheme participants | (636) | (659) | 0 | 0 |
| Remeasurement (gains) and losses: | | | | |
| Actuarial (gains)/losses from changes in demographic assumptions | 2,276 | 8,126 | 62 | 0 |
| Actuarial (gains)/losses from changes in financial assumptions | (36,217) | 0 | (633) | 134 |
| Experience (gains/losses) | 14,988 | 0 | 170 | 0 |
| Increased in share of Reg Services Pension Liabilities | (1,046) | (649) | 0 | 0 |
| Inclusion of Place Partnership liabilities | (1,023) | 0 | 0 | 0 |
| Past service cost | | | | |
| Losses/(gains) on curtailments where relevant | (362) | (110) | 0 | 0 |
| Liabilities assumed on entity combinations | | | | |
| Benefits/transfers paid | 4,884 | 4,638 | 276 | 279 |
| Balance as at 31 March | (168,128) | (143,591) | (4,147) | (3,887) |

Local government pension scheme assets comprised:

| | Fair value of scheme assets | |
|------------------------------------|-----------------------------|---------------|
| | 31/03/2017 | 31/03/2016 |
| | £000 | £000 |
| Cash and cash equivalents | 2,257 | 1,745 |
| Equities: | | |
| UK quoted | 513 | 604 |
| Overseas quoted | 27,538 | 28,126 |
| PIV - UK managed | 26,572 | 23,062 |
| PIV - UK managed (overseas) | 29,482 | 16,383 |
| Health and care | 0 | 0 |
| PIV - Overseas managed | 0 | 607 |
| Sub-total equity | 84,105 | 68,782 |
| Bonds: | | |
| Corporate | 325 | 342 |
| Government | 5,036 | 4,706 |
| Sub-total bonds | 5,361 | 5,048 |
| Property: | | |
| European Property Fund | 2,769 | 2,577 |
| UK Property Debt | 916 | 963 |
| Overseas Property Debt | 493 | 184 |
| Sub-total property | 4,178 | 3,724 |
| Alternatives | | |
| UK Infrastructure | 2,660 | 3,054 |
| Sub-total alternative funds | 2,660 | 3,054 |
| Total assets | 98,561 | 82,353 |

All scheme assets have quoted prices in active markets

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

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

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|---------------------------------|---------|-------------------------------------|---------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| Mortality assumptions: | | | | |
| <i>Longevity at 65 current pensioners:</i> | | | | |
| Men | 22.6 | 23.5 | 22.6 | 23.5 |
| Women | 25.6 | 25.9 | 25.6 | 25.9 |
| <i>Longevity at 65 for future pensioners:</i> | | | | |
| Men | 24.8 | 25.8 | 24.8 | 25.8 |
| Women | 27.9 | 28.2 | 27.9 | 28.2 |
| Financial assumptions: | | | | |
| Rate of inflation | 2.3% | 2.0% | 2.3% | 2.0% |
| Rate of increase in salaries | 3.8% | 3.5% | 3.8% | 3.5% |
| Rate of increase in pensions | 2.3% | 2.0% | 2.3% | 2.0% |
| Discount Rate | 2.5% | 3.6% | 2.5% | 3.6% |

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

| | Impact on the Defined Benefit Obligation in the Scheme | |
|---|--|------------------------|
| | Increase in assumption | Decrease in assumption |
| | £000 | £000 |
| Longevity (increase or decrease in one year) | 3,447 | (3,447) |
| Rate of inflation (increase or decrease by 0.1%) | 3,479 | (3,479) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 3,376 | (3,376) |
| Rate for discounting liabilities (increase or decrease by 0.1%) | (3,277) | 3,277 |

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.

The Authority anticipates to pay £3.874m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2016/17 (18 years 2015/16).

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 36 **Contingent Liabilities**

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

Various NHS trusts and limited companies have made applications for relief for business rates, this is an on-going issue and the outcome of these appeals will not be known until future years, no provision has been made for this.

Note 37 **Contingent Assets**

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

There are no Contingent Assets as at 31 March 2017.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 38 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

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

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

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

| Financial Asset Category | Minimum Criteria (Fitch ratings) | Maximum Investment |
|--|----------------------------------|--------------------|
| Term Deposits | Long Term: A- | £3 million |
| Deposits with Debt Management Account – Deposit Facility (DMADF) | Not applicable - HM Treasury | £no upper limit * |

* Investments with the DMADF are guaranteed by HM Treasury. Following advice from the Council's treasury advisers, no upper limit was imposed on investments with the DMADF.

At 31st March 2017, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £1,218k in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2017 is shown in the table below:

| | 2016/17 £000 | 2015/16 £000 |
|------------------------|-----------------|-----------------|
| Less than three months | 933 | 1,471 |
| Three to six months | 40 | 93 |
| Six months to one year | 55 | 372 |
| More than one year | 252 | 488 |
| Total | 1,280 | 2,424 |

Liquidity Risk

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

The maturity analysis of borrowings is summarised as follows:

| | 31/03/2017 | 31/03/2016 |
|--------------------------|-------------------|-------------------|
| | £000 | £000 |
| Less than one year | 3,000 | 5,000 |
| Between one & five years | 0 | 0 |
| More than five years | 103,929 | 103,929 |
| | 106,929 | 108,929 |

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

Included within the long-term borrowing is a £5,000k loan due to mature in 2032 with an interest rate of 4.71%. In addition, the Council has borrowings of £98,929k in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of maturities lasting between 11 and 26 years.

Interest Rate Risk

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

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

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

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2016/17, the Council had no variable long term investments or borrowings.

Price Risk

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

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Note 39 Joint Operations - Place Partnership Limited

Place Partnership Limited (PPL) is a Joint Operation between Worcestershire County Council, Worcester City Council, Redditch Borough Council, Hereford and Worcester Fire Authority, West Mercia Police and Warwickshire Police. Each own two shares which equates to 16.67%.

Although Redditch hold two shares which equates to 16.67% the most appropriate basis of incorporating the company as a joint operation that reflects the true relationship is the percentage that Redditch BC transact with PPL which is 4.4%.

The Balance Sheet therefore reflects 4.4% of the PPL latest financial forecast adjusted for inter company sums where Redditch Borough Council owe PPL (Creditors) which are within PPL debtors. The position is summarised below:-

Balance Sheet

| | Authority Share | | Inter Company | |
|-----------------------------|-----------------|------------|---------------|-------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £000 | £000 | £000 | £000 |
| PPL Accounts | | | | |
| Current Assets | | | | |
| Trade Debtors | 44 | 75 | -382 | -196 |
| Other Debtors | 0 | 2 | | |
| Cash at bank | 133 | 49 | | |
| Total Assets | 177 | 126 | -382 | -196 |
| | | | | |
| Current Liabilities | | | | |
| Trade Creditors | -175 | (130) | | |
| | | | | |
| Retained Earnings | 2 | (4) | | |
| | | | | |
| Redditch BC Accounts | | | | |
| Current Liabilities | | | | |
| Creditors | -8,138 | -8,130 | -382 | -196 |

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Housing Revenue Account for the year ended 31st March

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Expenditure | | |
| Repairs & Maintenance | (5,394) | (4,669) |
| Supervision & Management | (6,029) | (5,269) |
| Rents, Rates, Taxes and other charges | (127) | (160) |
| Depreciation, impairments and revaluation losses of non-current assets | 31,681 | (5,637) |
| Debt Management Costs | (1) | (3) |
| Movement in the allowance for bad debts | (121) | (113) |
| Total Expenditure | 20,009 | (15,851) |
| Income | | |
| Dwelling rents | 23,762 | 24,260 |
| Non-dwelling rents | 495 | 494 |
| Charges for services and facilities | 637 | 315 |
| Contributions from General Fund | 54 | 357 |
| Total Income | 24,948 | 25,426 |
| Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | 44,957 | 9,575 |
| HRA Services Share of Corporate & Democratic Core | (660) | (886) |
| Net Expenditure of HRA Services | 44,297 | 8,689 |
| Gains/(loss) on sale of HRA Fixed Assets | 1,410 | 812 |
| Interest Payable and Similar Charges | (4,183) | (4,165) |
| HRA Interest and Investment Income | 36 | 58 |
| Net interest on the defined benefit liability | (1,045) | (863) |
| Surplus or (Deficit for Year) on HRA Services | 40,515 | 4,531 |

The surplus is so much higher in 2016/17 as a result of the revaluation of Council dwellings and garages which have increased by £37,743k. This increased valuation follows an increase to the social housing factor which has changed from 34% to 40% for the West Midlands. The social housing factor was last changed in 2010/11 and at that time it resulted in £56,218k deficit being charged to the Housing Revenue income and expenditure account. The increased valuation has been credited back to the the housing revenue income and expenditure account and largely reverses the 2010/11 charge.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Balance on the HRA at the end of the previous year | 1,475 | 1,031 |
| Surplus or (Deficit) on the HRA Income and Expenditure Statement | 40,515 | 4,531 |
| Adjustments between accounting basis and funding basis under statute | (39,975) | (1,156) |
| Net Increase or (Decrease) before transfers to or from reserves | 540 | 3,375 |
| Transfers (to)/from Reserves | (540) | (2,931) |
| Increase or (decrease) on the HRA for the year | 0 | 444 |
| Balance on the HRA at the end of the current year | 1,475 | 1,475 |

| | 2016/17 £000 | 2015/16 £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 | 0 | 0 |
| Transfers to/from the Capital Adjustment Account | (31,681) | 5,637 |
| Gain or loss on sale of HRA non current assets | (1,410) | (812) |
| HRA Share of Contributions to or from the Pension Reserve | 362 | 423 |
| Transfers to/(from) Major Repairs Reserve | (6,061) | (5,967) |
| Capital expenditure funded by the HRA | (1,185) | (437) |
| Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year | (39,975) | (1,156) |

Transfers to/from Reserves

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Transfers (to)/from earmarked reserves | (540) | (2,931) |
| Total Transfers | (540) | (2,931) |

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2017

Current Year

| Property, Plant & Equipment (PP&E) | | | | | |
|--|-------------------|--------------|-----------------------------|----------------|----------------|
| | Council Dwellings | Buildings | Vehicles, Plant & Equipment | Surplus Assets | Total PP&E |
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| Balance as at 1 April 2016 | 211,548 | 3,758 | 534 | 1,500 | 217,340 |
| Additions | 8,991 | 0 | 0 | 0 | 8,991 |
| Revaluation increases to Revaluation Reserve | 0 | 0 | 0 | 1 | 1 |
| Revaluation increases to Surplus or Deficit on the Provision of Services | 31,751 | 4 | 0 | 0 | 31,755 |
| Derecognition - Disposals | (2,728) | 0 | 0 | 0 | (2,728) |
| Balance as at 31 March 2017 | 249,562 | 3,762 | 534 | 1,501 | 255,359 |
| Depreciation and Impairment | | | | | |
| Balance as at 1 April 2016 | 0 | (12) | 0 | 0 | (12) |
| Depreciation Charge | (5,854) | (133) | (74) | 0 | (6,061) |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 5,854 | 133 | | | 5,987 |
| Balance as at 31 March 2017 | 0 | (12) | (74) | 0 | (86) |
| Net Book Value | | | | | |
| Balance as at 31 March 2017 | 249,562 | 3,750 | 460 | 1,501 | 255,273 |
| Balance as at 31 March 2016 | 211,548 | 3,746 | 534 | 1,500 | 217,328 |

Comparative Year

| Property, Plant & Equipment (PP&E) | | | | | |
|--|-------------------|--------------|-----------------------------|----------------|----------------|
| | Council Dwellings | Buildings | Vehicles, Plant & Equipment | Surplus Assets | Total PP&E |
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| Balance as at 1 April 2015 | 211,529 | 3,628 | 0 | 0 | 215,157 |
| Additions | 7,791 | 0 | 534 | 67 | 8,392 |
| Revaluation increases to Revaluation Reserve | 0 | 0 | 0 | 1,471 | 1,471 |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | (5,700) | 130 | 0 | (67) | (5,637) |
| Derecognition - Disposals | (2,043) | 0 | 0 | 0 | (2,043) |
| Reclassifications & Transfers | (29) | 0 | 0 | 29 | 0 |
| Balance as at 31 March 2016 | 211,548 | 3,758 | 534 | 1,500 | 217,340 |
| Depreciation and Impairment | | | | | |
| Balance as at 1 April 2015 | 0 | (12) | 0 | 0 | (12) |
| Depreciation Charge | (5,834) | (133) | 0 | 0 | (5,967) |
| Depreciation written out on Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 5,834 | 133 | 0 | 0 | 5,967 |
| Balance as at 31 March 2016 | 0 | (12) | 0 | 0 | (12) |
| Net Book Value | | | | | |
| Balance as at 31 March 2016 | 211,548 | 3,746 | 534 | 1,500 | 217,328 |
| Balance as at 31 March 2015 | 211,529 | 3,616 | 0 | 0 | 215,145 |

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 2017 was £624m. This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Housing Revenue Account

Housing Stock

The number of dwellings in the Authority's housing stock, as at 31 March 2017, totalled 5808 properties. The type of properties and the period in which they were built, were as follows:

| | 2016/17 | 2015/16 |
|--------------------------------------|--------------|--------------|
| | No | No |
| Property Type | | |
| Flats and Maisonettes | | |
| 1 Bed | 1,555 | 1,561 |
| 2 Bed | 552 | 556 |
| 3 Bed | 30 | 30 |
| Sub-Total | 2,137 | 2,147 |
| Non Permanent | 41 | 41 |
| Sub-Total | 41 | 41 |
| Houses / Bungalows | | |
| 1 Bed | 657 | 659 |
| 2 Bed | 888 | 898 |
| 3 Bed | 1,920 | 1,951 |
| 4 or More | 165 | 170 |
| Sub-Total | 3,630 | 3,678 |
| Total Dwellings 31 March 2017 | 5,808 | 5,866 |

Housing Revenue Account Capital Expenditure

| | 2016/17 | 2015/16 |
|---------------------------|--------------|--------------|
| | £000 | £000 |
| Capital investment | | |
| Operational assets | 8,991 | 7,848 |
| | 8,991 | 7,848 |
| Sources of funding | | |
| Capital Receipts | 1,716 | 1,562 |
| Major Repairs Reserve | 6,090 | 5,859 |
| Direct Revenue Financing | 1,185 | 437 |
| | 8,991 | 7,858 |

Rent Arrears

During 2016/17 total rent arrears decreased by £15k . A summary of rent arrears and prepayments is shown in the following table:

| | 2016/17 | 2015/16 |
|---------------------------|--------------|--------------|
| | £000 | £000 |
| Current Tenant Arrears | 716 | 727 |
| Former Tenant Arrears | 356 | 360 |
| Total Rent Arrears | 1,072 | 1,087 |
| Prepayments | (415) | (411) |
| Net Rent Arrears | 657 | 676 |

The rent arrears and prepayments exclude supporting people balances.

Depreciation and Impairment of Non-Current Assets

| | 2016/17 | | 2015/16 | |
|--|--------------|------------|--------------|------------|
| | £000 | | £000 | |
| | Depreciation | Impairment | Depreciation | Impairment |
| Council Dwellings | 5,854 | 0 | 5,834 | 0 |
| Other Land and Buildings | 133 | 0 | 133 | 0 |
| Vehicles, Plant, Furniture and Equipment | 74 | 0 | 0 | 0 |
| Total | 6,061 | 0 | 5,967 | 0 |

Transactions relating to retirement benefits

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

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

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

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

| | 2016/17 | 2015/16 |
|---|--------------|--------------|
| HRA Income & Expenditure Account | £000 | £000 |
| Current Service Cost | 1,024 | 1,051 |
| Past Service Costs | 166 | 43 |
| Net interest expense | 1,045 | 863 |
| Total | 2,235 | 1,957 |
| Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | (1,873) | (1,534) |
| Movement on Pension Reserve | 362 | 423 |

Total Capital Receipts Generated during the year

| | 2016/17 | 2015/16 |
|----------------|--------------|--------------|
| | £000 | £000 |
| Council Houses | 4,046 | 2,920 |
| Other Property | 183 | - |
| Total | 4,229 | 2,920 |

Redditch Borough Council

Collection Fund Statement

FOR THE YEAR ENDED 31 MARCH 2017

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

| 2015/16 | | | Collection Fund | 2016/17 | | |
|-----------------|-----------------|-----------------|--|-----------------|-----------------|-----------------|
| Business Rates | Council Tax | Total | | Business Rates | Council Tax | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | INCOME | | | |
| | (39,624) | (39,624) | Council Tax Receivable | | (41,485) | (41,485) |
| (36,836) | | (36,836) | Business Rates Receivable | (37,073) | | (37,073) |
| (36,836) | (39,624) | (76,460) | Total amounts to be credited | (37,073) | (41,485) | (78,558) |
| | | | EXPENDITURE | | | |
| | | | Apportionment of Previous Year Surplus/Deficit | | | |
| (1,143) | | (1,143) | Central Government | (1,204) | | (1,204) |
| (915) | 55 | (860) | Billing Authority | (963) | 104 | (859) |
| (206) | 274 | 68 | County Council | (217) | 516 | 299 |
| (23) | 19 | (4) | Fire Authority | (24) | 89 | 65 |
| | 47 | 47 | Police Authority | | 37 | 37 |
| | | | Precepts, demands and shares | | | |
| 18,362 | | 18,362 | Central Government | 18,873 | | 18,873 |
| 14,689 | 5,405 | 20,094 | Billing Authority | 15,099 | 5,596 | 20,695 |
| 3,305 | 26,829 | 30,134 | County Council | 3,397 | 28,220 | 31,617 |
| 367 | 1,901 | 2,268 | Fire Authority | 377 | 1,961 | 2,338 |
| | 4,619 | 4,619 | Police Authority | | 4,767 | 4,767 |
| | | | Charges to Collection Fund | | | |
| 174 | 124 | 298 | Write-offs of uncollectable amounts | 175 | 47 | 222 |
| 661 | 512 | 1,173 | Increase/(decrease) in allowance for impairment | (234) | (1,043) | (1,277) |
| (1,100) | 0 | (1,100) | Increase/(decrease) in allowance for appeals | 355 | 0 | 355 |
| 46 | 0 | 46 | Transitional Protection Payments Payable | 34 | 0 | 34 |
| 110 | 0 | 110 | Charge to General Fund for allowable collection costs for non-domestic rates | 110 | 0 | 110 |
| 34,327 | 39,785 | 74,112 | Total amounts to be debited | 35,778 | 40,294 | 76,072 |
| (2,509) | 161 | (2,348) | (Surplus) /deficit arising during the year | (1,295) | (1,191) | (2,486) |
| 4,041 | (248) | 3,793 | (Surplus)/deficit b/f at 1 April | 1,532 | (87) | 1,445 |
| 1,532 | (87) | 1,445 | (Surplus)/deficit c/f at 31 March | 237 | (1,278) | (1,041) |

Redditch Borough Council

Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2017

Note 1 - Council Tax Income

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

FOR THE YEAR ENDED 31 MARCH 2017

| Band | | Valuation band limits | | Calculated number of dwellings | Ratio to Band D | Equated number of dwellings | Council Tax Payable | |
|------|-------------------|-----------------------|---|--------------------------------|-----------------|-----------------------------|---------------------|----------|
| | | £ | £ | | | | | |
| | | | | 21 | 11.78 | 5/9 | 6.54 | |
| A | Up to & including | 40,000 | | 7,632 | 4,384.47 | 6/9 | 2,922.98 | |
| B | | 40,001 | - | 52,000 | 11,899 | 9,080.94 | 7/9 | 7,062.95 |
| C | | 52,001 | - | 68,000 | 7,380 | 6,311.24 | 8/9 | 5,609.99 |
| D | | 68,001 | - | 88,000 | 4,279 | 3,863.09 | 9/9 | 3,863.09 |
| E | | 88,001 | - | 120,000 | 3,152 | 2,947.80 | 11/9 | 3,602.87 |
| F | | 120,001 | - | 160,000 | 1,163 | 1,093.76 | 13/9 | 1,579.88 |
| G | | 160,001 | - | 320,000 | 450 | 430.90 | 15/9 | 718.17 |
| H | More Than | | | 320,001 | 21 | 16.00 | 18/9 | 32.00 |

Adjustment 0.99

Council tax base **25,144.48**

FOR THE YEAR ENDED 31 MARCH 2016

| Band | | Valuation band limits | | Calculated number of dwellings | Adjusted for discounts | Ratio to Band D | Equated number of dwellings | Council Tax Payable |
|------|-------------------|-----------------------|---|--------------------------------|------------------------|-----------------|-----------------------------|---------------------|
| | | £ | £ | | | | | |
| | | | | 18 | 9.81 | 5/9 | 5.45 | |
| A | Up to & including | 40,000 | | 7,514 | 4,315.15 | 6/9 | 2,876.77 | |
| B | | 40,001 | - | 52,000 | 11,758 | 8,963.25 | 7/9 | 6,971.42 |
| C | | 52,001 | - | 68,000 | 7,215 | 6,217.67 | 8/9 | 5,526.82 |
| D | | 68,001 | - | 88,000 | 4,246 | 3,847.47 | 9/9 | 3,847.47 |
| E | | 88,001 | - | 120,000 | 3,089 | 2,913.15 | 11/9 | 3,560.52 |
| F | | 120,001 | - | 160,000 | 1,139 | 1,087.29 | 13/9 | 1,570.53 |
| G | | 160,001 | - | 320,000 | 439 | 424.03 | 15/9 | 706.72 |
| H | More Than | | | 320,001 | 17 | 16.00 | 18/9 | 32 |

Adjustment 0.99

Council tax base **24,846.72**

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

| | 2016/17 £ | 2015/16 £ |
|---|-----------------|-----------------|
| Redditch Borough Council | 222.21 | 217.21 |
| Worcestershire County Council | 1,122.31 | 1,079.77 |
| Police and Crime Commissioner for West Mercia | 189.60 | 185.90 |
| Hereford and Worcestershire Fire and Rescue | 78.00 | 76.50 |
| Feckenham Parish Council | 22.69 | 22.86 |
| Total Council Tax for the District | 1,634.81 | 1,582.24 |

Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2016/17 the amount was 49.07p (49.03p for 2015/16). 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. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value @ 31 March 2017 was £83,978,575 (31 March 2016 £84,413,503).

Redditch Borough Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWL B)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

WORCESTERSHIRE PENSION FUND (WPF)

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