

# additional papers 1



## **Audit, Governance & Standards**

### Committee

Tue 28 May  
2024  
7.00 pm

Oakenshaw Community  
Centre  
Castleditch Lane  
Redditch  
B98 7YB



[www.redditchbc.gov.uk](http://www.redditchbc.gov.uk)

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# **Audit, Governance & Standards**

Tuesday, 28th May, 2024

7.00 pm

Oakenshaw Community  
Centre

## **Agenda**

### **Membership:**

Cllrs:

Gemma Monaco  
(Chair)

Chris Holz (Vice-  
Chair)

William Boyd

Juma Begum

James Fardoe

Andrew Fry

Joanna Kane

Alan Mason

David Munro

## **15. Financial Compliance Report including update on Statements of Accounts** (Pages 5 - 114)

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**Redditch Borough Council**

**Statement of Accounts for the year ended 31<sup>st</sup> March 2021**



[www.redditchbc.gov.uk](http://www.redditchbc.gov.uk)

**Town Hall, Walter Stranz Square, Redditch,  
Worcestershire B98 8AH tel: (01527) 64252**

## Redditch Borough Council

### Statement of Accounts for the year ended 31<sup>st</sup> March 2021

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## **Narrative Report**

### **Introduction**

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

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

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

The Statement of Accounts brings together the major financial statements for the financial year 2020/21. The statements and the notes that accompany them give a full and clear picture of the financial position of Redditch Borough Council.

The sections are:

- Narrative Report – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery.
- Statement of Responsibilities – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts.
- Movement in Reserves Statement – The movement in the year on the different reserves held by the Council
- Comprehensive Income and Expenditure Statement – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation.
- Balance Sheet – The value of the assets and liabilities recognised by the Council and the Group as at 31<sup>st</sup> March 2021.
- Cash Flow Statement – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties.
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council.
- Notes to the Financial Accounts – The Statements are supported by technical notes.
- The Collection Fund and Notes – Shows the transactions of the separate fund used for the collection of council tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government.
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council
- Group Accounts - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.
- Housing Revenue Account - The Housing Revenue Account is a ring-fenced account used to manage our (council owned) housing stock of some 5,600 properties. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the Housing Revenue Account.

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2020/21 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Redditch Borough Council.



## Narrative Report

### Financial and Operational Performance

#### Our District

Redditch

- Covers an area of 21 square miles.
- Has 84,000 residents.
- Has 41,000 Homes and Businesses.
- Has 29 Councillors and 12 Wards which the present boundary review will reduce to nine wards and 27 councillors.

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

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

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

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

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

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



## **Narrative Report**

### **Strategic purpose: Help me run a successful business**

How we achieve this:

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

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

How we achieve this:

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

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

How we achieve this:

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

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

How we achieve this:

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

### **Strategic purpose: Keep my place safe and looking good**

How we achieve this:

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

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

How we achieve this:

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

## **Narrative Report**

### **National Position**

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

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

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

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

### **Organisational Performance**

In response to the pandemic, Redditch Borough Council implemented urgent crisis response and business continuity plans. The pandemic has had a significant impact on the services delivered by the Council to the residents of Redditch. The Council responded swiftly and decisively to the pandemic – playing a pivotal role in leading the district through an unprecedented national public health emergency.

This included many vital, short-term policy initiatives to protect the District's most vulnerable residents – including support for Redditch Council staff, support for the NHS response primarily through Worcester Regulatory Services, and much needed help for struggling businesses. The Council procured additional Personal Protective Equipment (PPE) to enable key staff to continue to deliver services safely. All these initiatives required additional investment and were funded during 2020-2021 from the Covid-19 grants received from Central Government. These direct Grants to the Council amounted to £1.45m. In addition, £0.36m was also received in terms of support for lost sales fees and charges.

In addition to these important short-term initiatives, some services had to be suspended in line with Government restrictions. The Council immediately implemented an enhanced Covid-19 Governance Structure.

Central Government announced that local authorities were to be responsible for the distribution of a number of grants throughout 2020/21; including mandatory and discretionary business grants and self-isolation payments for individuals required to isolate. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner. Systems were continually reviewed and improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the Governments requirements and satisfy the funding conditions. Using discretionary funding, the Council designed and approved grants schemes to support those businesses and individuals self-isolating put at financial hardship who fell outside the mandatory government grant schemes.

The Council acted as an agent for the administration of the mandatory grants – the eligibility criteria and funding levels were set by Government and the Council had no discretion on how these were administered. These grants have therefore been excluded from the Comprehensive Income and Expenditure Statement (CIES). Table 1 sets out these additional grants distributed during 2020/21:

**Narrative Report**

**Table 1 – Mandatory grant**

<b>Type</b>	<b>Number</b>	<b>Value</b>
Small Business Grant Fund	927	9,270,000
Retail Hospitality and Leisure 2a	82	820,000
Retail Hospitality and Leisure 2b	156	3,900,000
Local Authority Discretionary Grant Fund	68	724,000
Additional Restrictions Grant	147	1,100,233
Christmas Support Payment for Wet Led Pubs	26	26,000
Closed Business Lockdown Payment	331	1,672,000
LRSG (Closed)	73	36,301.16
LRSG (Closed) Addendum	338	570,142
LRSG (Closed) Addendum 5th January Onwards	342	1,770,735
LRSG (Open)	78	103,204.09

The Test and Trace figures for 2020/21 were as outlined in Table 2.

**Table 2 – Test and Trace figures**

<b>Redditch</b>	<b>Awards</b>	<b>£</b>
Main Scheme	164	£82,000
Discretionary	92	£46,000

Following the issuing of a Section 24 Notice in 2019, Members have shown through approvals that have been made to enable the balanced budget for 2020/21 that difficult decisions are now being made which was a concern previously raised as part of the S24 notice. This was a dramatic improvement on the prior year's performance and places the Council in a strong position moving forwards to deal with the uncertainties caused by Covid.

The Council continued to deliver core services; the following graphic sets out that delivery during the initial year of the pandemic.

Narrative Report

The only figures we seem to see these days are related to Coronavirus, so here are some of our interesting statistics from January 2020 - February 2021. Our staff, whether front line or working from home, have worked hard to keep local services running throughout the pandemic.

Covid Count

Completed **374 parenting clinics** and continued to **run 6 parenting groups** impacting on **438 children** in Redditch and Bromsgrove

Redditch **Test and Trace scheme has paid £93,500** to residents, that is **94%** of the money given to us from the Government.

**Supported 16 local fitness instructors** to upskill to meet local health priorities during lockdown including the delivery of virtual classes

We helped **28 homeowners** in Redditch Borough with broken heating systems to get their homes warm again through our Bromsgrove and Redditch Energy Advice Service.

Delivered **17 themed instalments of an online campaign** encouraging residents to get creative at home

Generated over **£9k of funding** through the Redditch Community Lottery, supporting **30 Good Causes** and our players had **406 winning tickets**.

Our Main Customer Services Team have responded to **31,163 customer calls in the past 6 months** (Aug 2020 -Jan 2021 inclusive).

Residents who accessed the Energy Advice service in December 2020, are estimated to have saved **a collective £18,807 and 87933.00 (KG) of Co2** annually, based on the advice and support given.

Our crews have collected over **1.9 million** household waste bins! (Jan - Dec 2020)

Starting Well Worcestershire\* gave out **200 pumpkins** for Halloween (across Redditch and Bromsgrove), impacting over **170 children** and 10 were donated to a care home.

Offered residents **help through our Dial a Ride service** to attend vaccination appointments whether they are registered with us or not.

Starting Well Worcestershire\* supported **174 families with Family Information Service** enquiries (accessing childcare funding) across Redditch and Bromsgrove

**5,526 phone calls were answered by benefits officers** offering support to customers who needed assistance with benefits claims and other financial support since the beginning of lockdown 23rd March

Helped community groups, faith leaders and council representatives to come together to create a virtual Holocaust Memorial Day Service which was **seen by over 400 people**.

Environmental Services Support Team answered **40,469 phone calls** and **22,156 emails** about bin collections, cleansing, fly tipping etc. between Jan to Dec 2020

Worked with local artist Keith Ashford who has created **10 creative tutorials** online.

\* The Starting Well Partnership support families, parents, children, and young people across Worcestershire to lead happy, healthy, and fulfilled lives. Although they work across the county, our officers work on a local level as part of this partnership.

## **Narrative Report**

As the previous graphic has shown, the way councils transact, and public requirements have changed significantly because of the Covid-19 pandemic and 2020/21 was the initial year of those changes. Operational changes necessitated by the pandemic have included:

- Leadership of a Borough Incident Management Team with all partners with objectives to:
  - Explore district specific issues/outbreaks.
  - Examine the drivers of Covid transmission.
  - Generate population specific mitigations and solutions, and
  - Problem solving across all sectors.
  - Escalation of issues, where required, was to the Health Protection Board/Local Resilience Forum/Strategic Co-ordination Group/Tactical Co-ordination Group, with key actions being highlighted.
  - Significant community engagement work was undertaken, including a vaccine hesitancy survey.

We had a team of Covid Advisors working within the Borough to offer support to businesses and the community. We provided operative support including marshalling and car parking at testing sites. We supported the County Council's Here to Help initiative. This included facilitating staff to be able to volunteer into job roles to support the community, such as door knocking vulnerable residents.

In terms of our Housing, within the Council's Housing stock non-urgent repairs were stopped at various points through lockdown. This in turn led to a redistribution of staff, moving more resources into the Voids team away from Repairs.

Undertaking a significant amount of work in a short period of time to enable the majority of the council's workforce to work from home effectively – allowing us to put plans in place to transition to agile working. Obviously, some services such as refuse collection, remained “face to face” but this hybrid approach has ensured that:

- The majority of Council services continued to work as normal or were returned to normality as soon as we were able. This included works to convert offices to safe operating environments.
- We were able to support the most vulnerable in our society, the business community, and the voluntary sector through our partnership networks and administering grant funding.
- Democracy and decision making was enabled to continue by implementing virtual meetings as quickly as possible and then transitioning to face to face meetings when the legislation changed.
- We could formalise and deliver a comprehensive Recovery and Restoration plan for the Council.
- We could work closely with Health colleagues to set up a testing centres at Trafford Car Park and the Town Hall.
- Major communications and media messaging campaigns were delivered about the pandemic and encouraging vaccine uptake (internal and external).
- Pop up vaccination centres could be facilitated.
- The test track and trace function (WRS) was delivered effectively to the public.
- We secured funding to develop the ABCD approach and model and to enhance youth work provision in the districts.
- We kept Waste Crews working whilst the world around them stopped, with detailed Risk Management based on National Guidance and influencing Industry Guidance, utilised staff from across Environmental Services to keep waste services running in the face of significant sickness absence and arranged funding for more HGV drivers to be trained to build resilience in the service.
- The arrangements with our commercial waste customers were flexed to reflect how they were having to deal with covid.
- Considering the importance of recreation space during the lockdown periods, we changed cleansing maintenance to reflect significant changes in behaviour and increase usage of these assets. This included the installation of public sanitisers across the District.
- The Stores team procured PPE and sanitise to keep the Authority operating when other areas were unable to locate supplies.

Our staff were the key resource in the new delivery cycle. We ensured their wellbeing by:

- Conducting a Working Arrangements Survey in July 2020 with all staff. This was undertaken as a temperature check for the organisation to ensure the workforce were able to work well from home during the pandemic

## **Narrative Report**

lockdown and ensuring they had the necessary equipment, access, and support.

- Wellbeing Survey (Stress Risk Audit) – carried out with all staff at the end of 2020 to assess how the workforce were feeling and how they were coping with the impacts of having to adapt to the new environment during the pandemic.

### **Governance**

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

Governance is about how the Council ensures that it is doing the right things, in the right way.

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

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

### **Reserves, Financial Performance and Financial Position**

#### **Financial Outlook**

The Medium-Term Financial Plan 2021/22 – 2023/24 was approved by Council on 22<sup>nd</sup> February 2021 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated in 2020/21 by the Covid-19 pandemic, where we have seen significant drops of income and one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

There continues to be considerable pressure facing the Council over the next 3 years as a result of a number of issues including:

- Clarity on how long Covid-19 will last including: how this will affect the delivery of Council services, additional government funding, and the levels of income (including collectable council tax and business rates).
- Budgetary pressures such as pay inflation and increased contract costs.
- Potential further reductions in New Homes Bonus Grant.
- Impact of the Localisation of Business Rates scheme, which is now deferred to 2021/22, although the Authority remains in the Worcestershire Business Rates Pool.
- To set financially sustainable budgets over the 3-year period for the Housing Revenue Account.
- Impact of now delayed fair funding and the magnitude and length of future Local Government settlements and how these impact on Medium Term Financial Planning.

The main source of income continues to be council tax. The Chancellors November 2022 update now allows Councils to increase Council Tax 2.99% or £5 per annum without a referendum. The medium-term financial plan assumes a

## Narrative Report

further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2021/22 but needs to address a shortfall in future years ranging from £0.261m in 2022/23 to £0.761m in 2023/24 to avoid using general reserves to balance the budget.

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

## Risks and Opportunities

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

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

As set out in previous sections, the most significant risk is the Covid-19 pandemic, how long it lasts, the amount of support provided by the Government, and how this affects service deliver to our Stakeholders. This affects all parts of the Council. Another significant risk is the implementation of the Councils new financial system, which went live on the 8<sup>th</sup> February 2021. Its effective embedding within the organisation is key to ensuring financial plans are properly monitored.

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 55. The objective is to demonstrate to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.



**Narrative Report**

A summary of the net expenditure as reported through the management accounts compared with the budget for 2020/21 is shown below:

<b>Service</b>	<b>2020/21 Original Budget</b>	<b>2020/21 Revised Budget</b>	<b>2020/21 Actuals</b>	<b>2020/21 Variance</b>
	£	£	£	£
<b>Business Transformation &amp; Organisational Development</b>	1,667,517.00	1,576,921.95	1,569,282.09	-7,639.86
<b>Chief Executive</b>	-2,628,903.00	-2,427,459.00	-2,072,008.91	355,450.09
<b>Community &amp; Housing GF Services</b>	2,000,756.00	1,738,238.53	1,531,780.83	-206,457.70
<b>Corporate Financing</b>	-9,702,415.00	-9,057,990.12	-9,240,653.08	-182,662.96
<b>Environmental Services</b>	2,676,940.00	2,660,624.72	2,437,678.26	-222,946.46
<b>Financial &amp; Customer Services</b>	1,832,247.00	1,414,809.67	1,671,234.68	256,425.01
<b>Legal, Democratic &amp; Property Services</b>	2,046,633.00	1,972,087.55	1,735,193.66	-236,893.89
<b>Planning, Regeneration &amp; Leisure Services</b>	1,138,274.00	1,153,815.70	1,006,645.15	-147,170.55
<b>RBC Regulatory Client</b>	352,702.00	352,702.00	346,748.15	-5,953.85
<b>RBC Rubicon Client</b>	648,249.00	648,249.00	671,315.55	23,066.55
<b>Starting Well - GF</b>	-32,000.00	-32,000.00	-31,170.43	829.57
<b>Total</b>	<b>0.00</b>	<b>-0.00</b>	<b>-373,954.05</b>	<b>-373,954.05</b>

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure statement (CIES) and the expenditure and funding analysis (EFA). As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the EFA.

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

**Business Transformation & Organisational Development (Net underspend of £0.008m)**

£0.037m underspend due to salary vacancies in HR.

£0.036m shortfall in income from street naming and numbering.

£0.021m underspend on corporate training budget due to Covid-19 and the reduced ability to deliver training.

**Community & Housing GF Services (Net underspend £0.206m)**

£0.138m underspend on underspend is due to staff restructure in anti-social behaviour.

## **Narrative Report**

### **Chief Executive and Corporate Services (Net overspend of £0.355m)**

£0.342m overspend on corporate services primarily due to higher than originally budgeted for pension costs (this being previously reported at Quarter 3). This has now been factored into ongoing budgets.

### **Environmental Services (Net underspend of £0.223m)**

£0.112m additional income from bereavement services (due to Covid pandemic)

£0.063m savings on hedge cutting team due to the success of the trial of using less agency workers and vehicles

### **Financial & Customer Services (Net overspend of £0.256m)**

£0.256m under recovery in benefits as there have not been any court recoveries taking place due to the pandemic (the rules not allowing for this action). This has been projected through the year.

### **Legal, Democratic & Property Services (Net underspend of £0.237m)**

£0.332m underspend in assets and facilities management due to savings on utility budgets and other premise based operational budgets within some of our public buildings including the Town Hall. These savings were due to the pandemic's impact re reduced opening hours during the year and reflect the usual operational costs of heating and operating our assets.

£0.054m overspend in business development predominantly due to the loss of income from Learning online & civic suite hire due to current circumstances.

### **Planning, Regeneration & Leisure Services (Net underspend of £0.147m)**

Parks and events were underspent by £0.127m as events have not taken place also due to COVID-19 along with some temporary salary savings

£0.090m overspend on economic and tourism development due to some additional costs following the closure of the Rubicon Business centre. There is also a shortfall in income at the other business centres projected

### **RBC Regulatory Client (Net underspend £0.006m)**

There were no material variances.

### **RBC Rubicon Client (Net overspend £0.023m)**

The additional amounts paid to Rubicon Leisure were paid from general covid grant, and so are not shown in this service line.

### **Corporate Financing (Net underspend £0.183m)**

The above table shows that in summary this service area was under £0.183m. The main variations being as follows

- £0.183m underspend driven largely by interest payable being lower due to a lower than forecast borrowing requirement (due to Covid-19 monies being paid in advance into our accounts) and lower interest rates (cut to historically low levels due to Covid-19), as well as a lower than budgeted Minimum Revenue Provision (MRP) charge for the year due to previous year underspend on capital programme (partially covid impacted).

The Council received significant un-ringfenced covid grant during the year to support service delivery and mitigate the impact of covid. It has been applied as follows:

It is important to note that of the £0.863m applied in 20/21 year, £0.543m was paid over to Rubicon Leisure to support them due to the reduction in leisure income as covid forced the closure of leisure facilities. A further £0.120m has been requested and approved in the 2020/21 Outturn Report.

**Narrative Report**

<b>General Covid Funding</b>	<b>£</b>
<b>Amount Received (four initial tranches)</b>	<b>1,455,981</b>
Amount spent 19/20	12,657.32
Amount spent 20/21	862,884.57
<b>Remaining balance at 31/3/21</b>	<b>580,439.11</b>
<b>Fifth tranche of grant</b>	<b>496,389</b>
<b>Total remaining covid grant</b>	<b>1,076,828.11</b>

**Reserves**

The underspend position has resulted in the Council's General Fund position increasing from an opening position of £1.599m by the underspend position of £0.373m and other transfers to a closing position of £4.021m.

Earmarked Reserves have increased from an opening position of £4.980m to a closing position of £16.301m. Main changes are:

- £0.836m increase in Business Rates Retention Scheme.
- £0.580m in general Covid-19 Grants.
- £4.433m of Collection Fund Covid-19 Grant – to offset 2020/21 non-collection in future years.

**Grants**

The Council received £17.662m of Grant Income during the year for council activities, up from £16.951m the previous year. In addition to this the council also received significant grant, acting as an agent on behalf of Central Government to support businesses during the Covid-19 pandemic.

The largest grant for services continues to be the Housing Benefit Subsidy Grant at £14.551m.

**Capital**

The management accounts reported the following capital outturn:

The outturn report sets out that expenditure was £6.338m against Capital budgets of £6.604m approved for the year. This is a £0.266m underspend. The Medium-Term Financial Plan (MTFP) already requested £5.407m be slipped to future years. This total was increased in February 2022 to £5.864m.

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

**Housing Revenue Account (HRA)**

The Housing Revenue Account for 2020/21 is showing an underspend of £0.882m and This represents an actual contribution to HRA balance of £1.288m in comparison to the budget which was set at £0.20m contribution from HRA balances.

The overall performance of the HRA service was severely constrained by the restrictions and lockdowns in response to the covid outbreak.

Essentially, a lot of activity relating to repairs, maintenance, and the overall management of the HRA could not be done and had to be rescheduled to future years.

## **Narrative Report**

Repairs and maintenance is showing an underspend of £1.3m and £0.637m of this is due to reduced activity in relation to (demand led) responsive repairs.

Similarly, activities relating to the supervision and management of the HRA was reduced and this resulted in an underspend of £0.650m. However, dwellings rental income is £0.150m lower than budget due to the incidence of voids and the turnaround period of void properties. The HRA capital program for 2020/21 is showing an underspend of £7m. As noted above this was due to rescheduling of the planned program of works to future years because of covid restrictions.

In November 2022 the Council were issued with a S24 Statement for the non-delivery of the 2020/21 Accounts within the Statutory deadlines. This report was debated by the Audit, Governance and Standards Committee and Full Council and the recommendations accepted. A recovery programme had been put in place in April 2022 due to issues with the implementation of a new financial system on the 8<sup>th</sup> February 2021. The systems, and staffing issues that led to issues in non-delivery of the accounts were finally rectified in November 2022. Bromsgrove District Council, which Redditch has a shared service with, commissioned a Task Group of its Audit Committee to establish the underlying issues of this systems failure and learning points for the future. This Task Group met in February 2023 and Redditch Audit, Governance and Standards Committee reviewed those recommendations at its meeting in March 2023. The recommendations of the Task Group were accepted both by the Audit Governance and Standards Committee and then Council.

Due to the backlog of work requiring rectification a further S24 Statement was issued in October 2024, this time for non-delivery of Audited 2020/21, 2021/22 and 2022/23 Accounts within the Statutory deadlines. The 2020/21 Accounts have only been submitted now with 2021/22 expected to be submitted at the end of June and 2022/23 Accounts at the end of August.

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

**The Authority's Responsibilities:**

**Redditch Borough Council is required to:**

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

**In this Authority, that officer is the Director of Finance and Resources.**

The 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') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

**In preparing this Statement of Accounts, the 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 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<sup>st</sup> March 2021 and its income and expenditure for the year ended on that date.

**SIGNED.....**

**Certificate of the Director of Finance and Resources (and Chief Financial Officer)**

I certify that:

- (a) the Statement of Accounts for the year ended 31<sup>st</sup> March 2021 has been prepared in the form directed by the Code and under the accounting policies set out on pages 36 to 49.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....Date:  
Director of Finance and Resources (and Chief Financial Officer)

**Approval of Statement of Accounts**

These accounts were approved by resolution of the Audit, Governance and Standards Committee on 28<sup>th</sup> May 2024.

Chair  
.....

## **Annual Governance Statement 2020/21**

### **Scope of Responsibility**

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

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

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough 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<sup>st</sup> March 2021 and up to the date of approval of the Statement of Accounts.

### **The Governance Framework**

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

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

## **Annual Governance Statement 2020/21**

transparent decisions. This includes the Scheme of Delegation to officers.

- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements are in place through regular budget monitoring, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, this was implemented on the 8<sup>th</sup> February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

### **Review of Effectiveness**

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

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

Throughout 2020/21, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

### **Audit, Governance and Standards Committee**

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the Treasury Management Strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

### **Internal Audit**

The Council'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.

## **Annual Governance Statement 2020/21**

During 2020/21 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems audits which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance.
- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

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

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

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

In relation to the 16 reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

As a result of the Covid-19 pandemic the Council quickly put in place

- An emergency operations structure.
- Movement of staff and resources to cover new pandemic delivery priorities.
- Arrangements to track the financial implications of the pandemic on the Council's resources.
- Arrangements for the democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.



**Annual Governance Statement 2020/21**

**Significant Governance Issues**

The Annual Governance Statement identifies governance issues and risks for the Council to address:

<b>Area of Assurance</b>	<b>Gap/Proposal to Mitigate</b>	<b>Progress</b>
<p>Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers.</p>	<p>Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.</p>	<p>Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the summer of 2022 draft 2020/21 Accounts will be approved by Audit Committee on 28<sup>th</sup> May 2024. The 2021/22 Accounts process will start in 2024 and so will also be late. This issue will remain until 2022/23 accounts are submitted.</p>
<p>The implementation of a new Finance system on the 8<sup>th</sup> February 2021.</p>	<p>Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash receipting is not working as expected and so rectification with software providers Tech One is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process.</p>	<p>Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6<sup>th</sup> November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but still require full embedding.</p>
<p>The loss of significant numbers of finance staff during 2021.</p>	<p>Recruitment campaign planned for Autumn of 2021.</p>	<p>Recruitment campaign was not successful and only three staff onboarded. Subsequent recruitment campaign undertaken in Spring on 2022 where 10 staff have been onboarded by August.</p>
<p>Delivery of Services during Covid-19.</p>	<p>Ensure processes are in place to keep staff and customers safe while delivering existing and additional services to all stakeholders.</p>	<p>Revised arrangements for service delivery set up with majority of staff working remotely. ICT enabled this to happen quickly. Additional Grants for individuals and business community allocated and BEIS and DLUHC compliance regimes met.</p>

## Annual Governance Statement 2020/21

The following Governance recommendations were highlighted in the S24 Report and Interim Auditors Annual Report 2020/21 submitted on the 31<sup>st</sup> October 2022

<b>Area of Assurance</b>	<b>Gap/Proposal to Mitigate</b>	<b>Progress</b>
<p>Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation.</p>	<p>Full mitigation steps set out in the S24 Report. Key items include rectification of the cash receipting issue and delivery of the 2020/21 accounts. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p>	<p>Cash receipting issues rectified over the 5th/6th November. 2020/21 Accounts being drafted for presentation to Audit, Governance and Standards Committee on the 28<sup>th</sup> May 2024.</p>
<p>The Council needs to ensure that the Medium-Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.</p>	<p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p>	<p>MTFP is being produced in two Tranches in 2023/24. First Tranche, with full backing papers, went to Executive on the 25<sup>th</sup> October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood. Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring report.</p>

## Annual Governance Statement 2020/21

The Council needs to ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in an accordance with relevant Codes and Practice.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

2022/23 Capital Strategy, Treasury Management Strategy, and MRP Policy presented to Executive for approval and then Council in July 2022.

The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Additional working groups (Back Office and 4th Tier) set up to ensure that projects are properly identified and "gatekept". Key projects reviewed by CMT on a quarterly basis. Full learning process will be run following the closure of the 2020/21 account in relation to lessons learnt.

The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. To achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.

The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. To achieve this the Council should make risk management reporting a standing item on the Audit, Governance and

Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which presented to Executive in September 2022.

**Annual Governance Statement 2020/21**

Risk Management now reported to Audit, Governance and

Standards Committee on a quarterly basis with updates in the new format in July and October 2022.

This includes a revised definition of a "corporate risk"

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

Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.

Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.

**Annual Governance Statement 2020/21**

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 25.

**Conclusion and Evaluation**

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

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

**Signed** ..... **Date** .....

**Signed** ..... **Date** .....

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

## **Internal Auditors' Report**

### **Head of Internal Audit Opinion**

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

Due to the global Covid-19 pandemic, 2020/21 was a particularly challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

### **Overall Governance Conclusion**

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2020/21 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, risk remains present which could jeopardise this in the future regarding certain areas and emerging risks will need to be identified and managed. Close monitoring of deployed measures is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2020/21 will be critical to create better transparency, expectation, and accountability. This will be necessary to ensure the Borough can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk.

### **Risk Management Conclusion**

The Head of Internal Audit can confirm the further development of the formal risk management system is set to continue in the organisation under the Direction of the Financial and Customer Services Manager with a view to achieving a better embedded approach in the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. Risk management is present in some form in services but is not corporately coordinated to allow for a joined-up view of risk. This is reflected in the 'no assurance' that has been provided during the risk review in 2020/21. An action plan is awaited to map the requirements and to allow progress and assurance to be reported before Members in the future.

### **Audit Opinion**

The internal audit of Redditch Borough Council's systems and operations during 2020/21 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 27<sup>th</sup> July 2020. This required a significant and subsequent revision due to the impact of the global pandemic.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for five District Councils and increased to six partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, and effective use of resources.

The Internal Audit Plan for 2020/21 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance.
- a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The 2020/21 internal audit plan was heavily revised due to the Covid-19 global pandemic. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit

## **Internal Auditors' Report**

opinion.

At the time of writing this opinion in relation to the 15 reviews undertaken, all have been finalised. Areas which returned an assurance level of 'limited' or 'no' included risk assurance.

A clear management action plan has been formulated to address the issues identified in all the audit area where 'no' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the S151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with the action plan being formulated by the Finance and Customer Services Manager.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including a lack of awareness regarding a handbook and a requirement to update antifraud and corruption procedures. 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.

Eleven 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. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The two critical friend reviews that were undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the previous year results and corporate position due to the impact the pandemic had. 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.

**Andy Bromage**  
**Head of Internal Audit Shared Service Worcestershire**  
**Internal Audit Shared Service Jul-21**

## The Core Financial Statements





# Redditch Borough Council

Financial Statements for the year ended 31<sup>st</sup> March 2021

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Reserves line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amount required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers before any discretionary transfers to or (from) earmarked reserves undertaken by the Council.

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	HRA Balance £000	Earmarked HRA Reserves £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	Rubicon Leisure Limited £000	Total Group Reserves £000
<b>Balance as at 1 April 2019</b>	1,225	5,120	6,345	770	18,236	19,006	6,879	5,866	2,155	40,251	118,686	158,932	30	158,967
<b><u>Movement in reserves during the year</u></b>														
<b>Total Comprehensive Income and Expenditure</b>	1,657	0	1,657	(1,304)	0	(1,304)	0	0	0	353	19,475	19,828	(3,075)	16,753
Adjustments between accounting basis & funding basis under regulations (Note 9)	(1,425)		(1,425)	(1,699)	0	(1,699)	931	3,675	249	1,731	(1,731)	0	474	474
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	232	0	232	(3,003)	0	(3,003)	931	3,675	249	2,084	17,744	19,828	0	19,828
Transfers to or from earmarked reserves	142	(142)	0	2,977	(2,977)	0				0		0	0	0
<b>(Increase)/Decrease in Year</b>	374	(142)	232	(26)	(2,977)	(3,003)	931	3,675	249	2,084	17,744	19,828	(2,601)	17,227
<b>Balance as at 31 March 2020</b>	1,599	4,979	6,577	744	15,259	16,003	7,810	9,541	2,404	42,335	136,430	178,765	(2,571)	176,194
<b><u>Movement in reserves during the year</u></b>														
<b>Total Comprehensive Income and Expenditure</b>	(505)	0	(505)	882	0	882	0	0	0	377	(15,951)	(15,574)	(181)	(15,755)
Adjustments between accounting basis & funding basis under regulations	13,792		13,792	(882)	(1,694)	(2,576)	695	3,152	375	15,438	16,496	31,934		31,934
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	13,288	0	13,288	0	(1,694)	(1,694)	695	3,152	375	15,815	545	16,360	(181)	16,179
Transfers to or from earmarked reserves	(10,865)	11,322	457	0	0	0				457		457		457
<b>(Increase)/Decrease in Year</b>	2,423	11,322	13,745	0	(1,694)	(1,694)	695	3,152	375	16,272	545	16,817	(181)	14,564
<b>Balance as at 31 March 2021</b>	4,021	16,301	20,322	744	13,565	14,309	8,505	12,693	375	56,308	136,975	193,283	(2,752)	191,030

# Redditch Borough Council

Financial Statements for the year ended 31<sup>st</sup> March 2021

This statement shows the accounting cost in 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

## Comprehensive Income and Expenditure Statement for the year end 31<sup>st</sup> March 2021

	Notes	2020/21			2019/20		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority		29,570	(28,563)	1,007	4,175	(2,345)	1,830
Help me be financially independent (including Education and Skills)		16,945	(17,392)	(447)	18,225	(17,525)	700
Help me find somewhere to live in my locality		1,998	(1,511)	487	2,148	(759)	1,389
Help me to live my life independently (including Health and Activity)		1,969	(1,651)	318	2,005	(1,626)	379
Help me run a successful business		1,246	(916)	331	2,632	(1,708)	924
Keep my place safe and looking good		7,539	(3,352)	4,187	7,793	(3,240)	4,553
Provide good things for me to see, do and visit		1,760	(601)	1,159	2,410	(707)	1,701
Local authority housing - (HRA)		19,174	(24,723)	(5,549)	20,441	(24,123)	(3,682)
Revaluation of Housing Revenue Account Stock					69		69
<b>Cost of Services</b>		<b>80,202</b>	<b>(78,709)</b>	<b>1,493</b>	<b>59,898</b>	<b>(52,033)</b>	<b>7,865</b>
Other Operating Expenditure	11	2,934	0	2,934	(225)	0	(235)
Financing and Investment Income and Expenditure	12	4,884	221	5,105	5,298	(70)	5,228
Taxation and Non-Specific Grant Income and Expenditure	13	11,198	(21,107)	(9,909)	11,194	(13,211)	(13,211)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(377)</b>			<b>(353)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment	14,15			17,008			(15,090)
Remeasurement of the net defined benefit liability/(asset)	37			(1,057)			(4,385)
<b>Other Comprehensive Income and Expenditure</b>				<b>15,951</b>			<b>(19,475)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>15,574</b>			<b>(19,828)</b>

### Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

#### Notes

	2020/21			2019/20		
	£000	£000	£000	£000	£000	£000
	Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority	29,570	(28,563)	1,007	4,175	(2,345)	1,830
Help me be financially independent (including Education and Skills)	16,945	(17,392)	(447)	18,225	(17,525)	700
Help me find somewhere to live in my locality	1,998	(1,511)	487	2,148	(759)	1,389
Help me to live my life independently (including Health and Activity)	1,969	(1,651)	318	2,005	(1,626)	379
Help me run a successful business	1,246	(916)	331	1,547	(1,708)	(161)
Keep my place safe and looking good	7,539	(3,352)	4,187	7,793	(3,240)	4,553
Provide good things for me to see, do and visit	4,621	(3,643)	978	7,087	(3,869)	3,218
Local authority housing - (HRA)	19,174	(24,723)	(5,549)	20,441	(24,123)	(3,682)
Revaluation of Housing Revenue Account Stock	0		0	69		69
<b>Cost of Services</b>	<b>83,063</b>	<b>(81,751)</b>	<b>1,312</b>	<b>63,490</b>	<b>(55,195)</b>	<b>8,295</b>
Other Operating Expenditure	2,934	0	2,934	(191)	0	(191)
Financing and Investment Income and Expenditure	4,884	221	5,105	5,298	(70)	5,228
Taxation and Non-Specific Grant Income and Expenditure	11,198	(21,107)	(9,909)	0	(13,211)	(13,211)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(558)</b>			<b>121</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment			17,008			(15,090)
Remeasurement of the net defined benefit liability/(asset)			1,070			(2,258)
<b>Other Comprehensive Income and Expenditure</b>			<b>18,078</b>			<b>(17,348)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>17,520</b>			<b>(17,227)</b>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide their services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide 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 if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**Balance Sheet as at 31<sup>st</sup> March 2021**

	Notes	31st March 2021 £000	31st March 2020 £000
Property, Plant & Equipment	<b>14/14a</b>	365,499	349,827
Heritage Assets			57
Investment Property	<b>17</b>	899	0
Intangible Assets	<b>15</b>	329	652
Long Term Debtors	<b>16</b>	208	952
<b>Long Term Assets</b>		<b>366,935</b>	<b>351,488</b>
Short Term Investments	<b>16</b>	10,000	9,750
Inventories	<b>17</b>	465	277
Short Term Debtors	<b>18</b>	17,324	9,211
Cash and Cash Equivalents	<b>19</b>	6,739	1,511
<b>Current Assets</b>		<b>34,528</b>	<b>20,749</b>
Short Term Borrowing	<b>16</b>	0	0
Short Term Creditors	<b>21</b>	(15,349)	(14,031)
Provisions	<b>22</b>	(3,381)	(556)
Revenue Grants received in advance	<b>33</b>	(8,325)	0
<b>Current Liabilities</b>		<b>(27,055)</b>	<b>(14,587)</b>
Long Term Borrowing	<b>16</b>	(105,721)	(104,063)
Other Long-Term Liabilities	<b>37</b>	(70,698)	(74,095)
Capital Grants received in advance	<b>33</b>	(4,707)	(727)
<b>Long Term Liabilities</b>		<b>(181,126)</b>	<b>(178,885)</b>
<b>Net Assets</b>		<b>193,282</b>	<b>178,765</b>
Usable reserves	<b>24</b>	56,308	42,335
Unusable Reserves	<b>25</b>	136,974	136,430
<b>Total Reserves</b>		<b>193,282</b>	<b>178,765</b>

**Group Balance Sheet as at 31<sup>st</sup> March 2021**

Information relating to the Group Balance Sheet is included in Note 24 - Group Accounts.

	Notes	31st March 2021 £000	31st March 2020 £000
Property, Plant & Equipment	14/14a & 23	365,519	349,839
Heritage Assets		0	57
Investment Property	17	899	0
Intangible Assets	15	329	652
Long Term Debtors	16	208	952
<b>Long Term Assets</b>		<b>366,955</b>	<b>351,500</b>
Short Term Investments	16	10,000	9,750
Inventories	17 & 23	482	296
Short Term Debtors	18 & 23	18,712	9,050
Cash and Cash Equivalents	19 & 23	7,169	1,865
<b>Current Assets</b>		<b>36,363</b>	<b>20,961</b>
Short Term Borrowing	16	0	0
Short Term Creditors	21 & 23	(16,857)	(14,225)
Provisions	22	(3,381)	(556)
Revenue Grants received in advance	33	(8,325)	0
<b>Current Liabilities</b>		<b>(28,563)</b>	<b>(14,781)</b>
Long Term Borrowing	16	(105,721)	(104,063)
Other Long-Term Liabilities	23 & 37	(73,299)	(76,696)
Capital Grants received in advance	33	(4,707)	(727)
<b>Long Term Liabilities</b>		<b>(183,727)</b>	<b>(181,486)</b>
<b>Net Assets</b>		<b>191,028</b>	<b>176,194</b>
Usable reserves	23 & 24	56,655	42,365
Unusable Reserves	23 & 25	134,373	133,829
<b>Total Reserves</b>		<b>191,028</b>	<b>176,194</b>

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

**Cash Flow Statement at 31<sup>st</sup> March 2021**

	Notes	2020/21 £000	2019/20 £000
<b>Net surplus on the provision of services</b>		377	353
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	24,708	11,936
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	673	(5,933)
<b>Net cash flows from Operating Activities</b>		<b>25,758</b>	<b>6,356</b>
<b>Investing Activities</b>	27	<b>(20,530)</b>	<b>(8,708)</b>
<b>Financing Activities</b>	28	<b>0</b>	<b>2,725</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>5,228</b>	<b>373</b>
Cash and cash equivalents at the beginning of the reporting period		1,511	1,138
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>6,739</b>	<b>1,511</b>

**Group Cash Flow Statement at 31<sup>st</sup> March 2021**

	Notes	2020/21 £000	2019/20 £000
<b>Net surplus on the provision of services</b>		558	(121)
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	24,813	12,567
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	463	(5,933)
<b>Net cash flows from Operating Activities</b>		<b>25,834</b>	<b>6,513</b>
<b>Investing Activities</b>	27	<b>(20,530)</b>	<b>(8,722)</b>
<b>Financing Activities</b>	28	<b>0</b>	<b>2,725</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>5,304</b>	<b>516</b>
Cash and cash equivalents at the beginning of the reporting period		1,865	1,349
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,169</b>	<b>1,865</b>

**Notes to the Core Financial Statements**





**Note 1 Accounting Policies****General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31<sup>st</sup> March 2021. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

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

**Summary of Significant Accounting Policies****1) Revenue and Expenditure Recognition**

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

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

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

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

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

## 2) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

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

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

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

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

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

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

### Accounting for Council Tax and NDR

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

item in the Movement in Reserves Statement.

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

## 6) Employee Benefits

### Benefits Payable During Employment

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits based on 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 because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 7) Events After the Reporting Period

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

of events can be identified:

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

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

## 8) Fair Value Measurement

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

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

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

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

## 9) Financial Instruments

### Financial Liabilities

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

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

### Financial Assets

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

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

Financial assets are classified into the following categories:

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

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

#### **Financial Assets at Amortised Cost**

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

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

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

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

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

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

#### **Impairment**

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

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

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

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

#### 10) Government Grants and Contributions

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

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

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

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

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

#### 11) Heritage Assets

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

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

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

#### 12) Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets

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

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

### 13) Interests in Companies and Other Entities

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

### 14) Inventories and Long-Term Contracts

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

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

### 15) Joint Operations

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

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

### 16) Leases

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

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

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



### The Authority as Lessee Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

### The Authority as Lessor Finance Leases

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

Lease rentals receivable is apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement

in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. (England and Wales).

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

### Operating Leases

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

### 17) Materiality

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

### 18) Overheads and Support Services

In the financial statements, overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

### 19) Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising :

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).

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

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### Impairment

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

#### **Disposals and Non-Current Assets Held for Sale**

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

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

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

#### **20) Provisions, Contingent Liabilities and Contingent Assets Provisions**

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

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

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

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

#### **Contingent Liabilities**

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

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

**Contingent Assets**

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

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

**21) Reserves**

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

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

**22) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**23) Shared Services**

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

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within 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 the other Authority uses a resource where there is not a formal shared service in place.

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

**24) Value Added Tax (VAT)**

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

**Note 2 Accounting Standards that have been issued but have not yet been adopted**

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

There is an amendment to IFRS 16 Leases, this standard was due to be implemented on 1<sup>st</sup> April 2020, but this has now been delayed until 1<sup>st</sup> April 2024.

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

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

**Note 3 Critical Judgements in Applying Accounting Policies**

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

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of **£4.979m** and a General Fund Balance of **£1.599m**.

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

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in **Note 24**. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20<sup>th</sup> May 2020 which ruled that automated teller machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after the 31<sup>st</sup> March 2020, but full provision is made in the provision for business rate appeals as at 31<sup>st</sup> March 2020. The level of the 2017 rating list provision for appeals has released by **£2.783m**. Previously the Council held **4.7%** of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note 23**.

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

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

**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<sup>st</sup> March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE (excluding Council dwellings) would increase by <b>£0.267m</b> 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 <b>0.1%</b> increase in the discount rate would result in a decrease in the pension liability of <b>£3.061m</b> . Further sensitivity analysis can be seen in the defined benefit pension scheme note.

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

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

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

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

Our valuation(s) is / are therefore reported based on ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.



**Note 5 Material Items of Income and Expense**

The following six material items have had an impact on the 2020/21 Financial Statements:

Long Term assets have increased from £338.432m to £351.488m, an increase of £13.056m. This is mainly because of the revaluation of the Housing Revenue Account housing stock which increased by £18.710m in the year. This has been offset by disposal of housing properties under right to buy with a book value of £3.432m and revaluation losses on General Fund properties of £4.527m relating to the Abbey Stadium which reduced in value by £4.111m.

There has been a decrease in the pension deficit reducing from £76.572m to £74.095m. **Note 38** on page 86 provides a detailed analysis of the pension changes but the main reason for the change are actuarial gains from changes in demographic, financial and experience assumptions. The pension liability is reported in the Balance Sheet as at 31<sup>st</sup> March 2020 is £72.930m, £3.642m lower than the deficit and this reflects the 2020/21 advanced payment of pension contributions.

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1<sup>st</sup> December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council. The Council CIES income and expenditure has reduced within the Strategic Priority 'Provide good things for me to see, do and visit' because of the leisure services that have transferred to Company for the 4 months 1<sup>st</sup> December 2018 to 31<sup>st</sup> March 2019 in 2018/19 and the full year in 2019/20. However, the income and expenditure of the Company is incorporated in the Group CIES. Further details on Rubicon Leisure Limited are provided in **Note 24**.

From 1<sup>st</sup> April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund. The 75% Pilot arrangements apply for 2019/20 only and provide that WCC receive 74% of business rate income, Hereford and Worcester Fire and Rescue (HWFR) continue to receive 1% and Central Government receive 25% rather than 50% it received under the previous arrangements. The Balance Sheet as at 31<sup>st</sup> March 2020 requires business rate activity (arrears, prepayments, appeals, surplus and provision for bad debts) other than court costs to be allocated to WCC (74%), HWFR (1%) and Central Government (25%) whereas the Balance Sheet as at 31<sup>st</sup> March 2019 included a 40% allocation to the Council. Creditors and provisions have changed significantly. Creditors have increased by £6.646m from £7.385m in 2018/19 to £14.031m in 2019/20 whereas provisions have reduced by £2.730m from £3.286m to £0.556m in 2019/20. The net movement is £3.907m. There are three reasons for this change: -

- Provisions have reduced following the release of £2.783m of the 2017 rating list business rate appeals held at 31<sup>st</sup> March 2019. The provisions would have been allocated differently in any case with the new business rate arrangements resulting in business rate Balance Sheet items, other than court costs, now being fully allocated to WCC, HWFR and Central Government. The release of appeals held at 31<sup>st</sup> March 2019 has therefore reduced Provisions and increased Creditors by £2.783m.
- In addition, £1.650m budgeted provision for 2017 rating list appeals in 2019/20 has not been required. The £2.783m release from the opening provision plus £1.650m created £4.433m of the £5.291m surplus in the Collection Fund for business rates. The additional £1.650m saved in 2019/20 on business rate appeals has been allocated to WCC, HWFR and Central Government and increased Creditors.
- The Council received £1.272m Government grant in advance in 2019/20 in respect of Covid-19 and this has been recorded as a receipt in advance within creditors on the Balance Sheet as at 31<sup>st</sup> March 2020.

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

There has been a significant movement in treasury balances during 2020/21 as calculated below:

Movement in Treasury balances	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020
	£000	£000
Short-term borrowing		0
Short-term investments		9,750
Cash and cash equivalents		1,511
		<b>11,126</b>
<b>Treasury Balance Movement</b>		

Movement explained by	31 <sup>st</sup> March 2021
	£000
Short-term borrowing	
Short-term investments	
Cash and cash equivalents	
<b>Treasury Balance Movement</b>	

#### Note 6 Events after the Reporting Period

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

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

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

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

Further information on the provision for appeals is contained within **Note 23**.

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

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

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## Expenditure and Funding Analysis

### Note 7

For the current and comparative year

Net Expenditure Chargeable to the General Fund and HRA Balances	2020/21		Strategic Purpose	2019/20		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	
£000	£000	£000		£000	£000	£000
382	(625)	1,007	Enabling of the Authority	2,657	827	1,830
(714)	(267)	(447)	Help me be financially independent (including Education and Skills)	326	(374)	700
209	(278)	487	Help me find somewhere to live in my locality	583	(806)	1,389
89	(229)	318	Help me to live my life independently (including Health and Activity)	42	(337)	379
72	(259)	331	Help me run a successful business	619	(305)	924
1,347	(2,840)	4,187	Keep my place safe and looking good	3,649	(904)	4,553
(191)	(1,350)	1,159	Provide good things for me to see, do and visit	616	(1,087)	1,703
(11,826)	(6,277)	(5,549)	Local authority housing - (HRA)	3,146	6,759	(3,613)
<b>(10,632)</b>	<b>(12,125)</b>	<b>1,493</b>	<b>Net Cost of Services</b>	<b>11,638</b>	<b>3,773</b>	<b>7,865</b>
940	2,810	(1,870)	Other Income and Expenditure	(8,866)	(648)	(8,218)
<b>(9,692)</b>	<b>(9,315)</b>	<b>(377)</b>	<b>Surplus or Deficit</b>	<b>2,772</b>	<b>3,125</b>	<b>(353)</b>
<b>(22,580)</b>	-	-	<b>Opening General Fund and HRA Balance</b>	<b>(25,352)</b>	-	-
<b>(9,692)</b>	-	-	<b>Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year</b>	<b>2,772</b>	-	-
<b>(32,272)</b>	-	-	<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(22,580)</b>	-	-

## Note 7a Note to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis 2020/21

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	(520)	(105)	0	0	(625)
Help me be financially independent (including Education and Skills)	(55)	(212)	0	0	(267)
Help me find somewhere to live in my locality	(157)	(121)	0	0	(278)
Help me to live my life independently (including Health and Activity)	(45)	(184)	0	0	(229)
Help me run a successful business	(248)	(11)	0	0	(259)
Keep my place safe and looking good	(1,745)	(1,095)	0	0	(2,840)
Provide good things for me to see, do and visit	(1,258)	(92)	0	0	(1,350)
Local authority housing - (HRA)	(5,861)	(416)	0	0	(6,277)
<b>Net Cost of Services</b>	<b>(9,889)</b>	<b>(2,236)</b>	<b>0</b>	<b>0</b>	<b>(12,125)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	2,810	0	0	0	2,810
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,079)</b>	<b>(2,236)</b>	<b>0</b>	<b>0</b>	<b>(9,315)</b>

Adjustments between Funding and Accounting Basis 2019/20

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

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2020/21	Revenue from External Customers	Depreciation and Amortisation	Non-Cash
	£000	£000	£000
Enabling of the Authority	(2,877)	520	0
Help me be financially independent (including Education and Skills)	(951)	55	0
Help me find somewhere to live in my locality	(326)	157	0
Help me to live my life independently (including Health and Activity)	(1,429)	45	0
Help me run a successful business	(911)	248	0
Keep my place safe and looking good	(3,016)	1,745	0
Provide good things for me to see, do and visit	(448)	1,258	0
Local authority housing - (HRA)	(24,191)	5,861	0
<b>Total Income Analysed on a Segmental Basis</b>	<b>(34,149)</b>	<b>9,889</b>	<b>0</b>

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

**Note 8 Expenditure and Income Analysed by Nature**

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

Expenditure:	2020/21 £000	2019/20 £000
Employee Benefits Expenses	15,255	16,740
Other Services Expenditure	56,887	35,082
Depreciation and Amortisation	10,247	8,109
Revaluation of HRA dwellings reversing previous losses		69
Interest Payments	8,075	5,298
Precepts and Levies	5	8
Payments to Housing Capital Receipts Pool	776	850
Gain on the Disposal of Assets	(321)	(1,193)

Income:	2020/21 £000	2019/20 £000
Fees, Charges and other service Income	(34,227)	(35,093)
Interest and Investment Income	(2,511)	(70)
Income for Council tax, non-domestic rates, district rate income	(9,098)	(11,212)
Government grants and Contributions	(45,010)	(18,941)
Other Income	(455)	0
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(377)</b>	<b>(353)</b>

**Revenue from contracts with Service Recipients**

Revenue from contracts with service recipients amounts to £28.759m of the £52.581m income in the Comprehensive Income and Expenditure Statement (CIES). The income is significant and, in the areas received, fund a large part of the costs of providing the services. Compared with 2019/20 there has been a £1.294m reduction this is due to the reduced leisure income following the creation of Rubicon Leisure Limited who have operated key Leisure facilities since 1st December 2018. A summary of the income from service recipients is provided below:

Service Area	2020/21 £000	2019/20 £000
Charges to Council Tenants	23,953	23,953
Leisure	127	127
Lifeline	534	534
Rents	1,372	1,372
Bereavement	1,358	1,358
Planning and Building Control	388	388
Licencing	277	277
Land Charges	53	53
Garden and Bulky Waste	146	146
Other	551	551
<b>Total income from contracts with service recipients</b>	<b>28,759</b>	<b>28,759</b>

The Council Policy on fees and charges is that:

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

**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.

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000
Pension cost (transferred to (or from) the Pensions Reserve)	619	727	0	0
Council tax and NDR (transfers to or from the Collection Fund)	8,119	0	0	0
Holiday pay (transferred to the Accumulated Absences reserve)	0	0	0	0
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0	0	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)	5,123	7,448	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>13,861</b>	<b>8,175</b>	<b>0</b>	<b>0</b>
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(2,107)	2,107	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	39	(39)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	776	0	(776)	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,701)	0	5,683
Use of flexible capital receipts to fund service reform	0	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(845)	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	(1,288)	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>(69)</b>	<b>(9,057)</b>	<b>1,292</b>	<b>5,683</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,481)	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2,531)
Application of capital grants to finance capital expenditure		0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,274)</b>	<b>(2,531)</b>
<b>Total Adjustments</b>	<b>13,792</b>	<b>(882)</b>	<b>18</b>	<b>3,152</b>

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

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

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20 and 2020/21.

	Balance as at 1 April 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance as at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance as at 31 March 2021 £000
<b>General Fund:</b>							
Business Rate grants	7	0	(7)	0	0	0	0
Business Rates Retention Scheme	3,246	2,002	(3,252)	1,996	1,086	0	3,082
Support for Commercialism	28	0	(28)	0	0	0	0
Community Development	4	65	(2)	67	7	0	74
Community Safety	225	302	(225)	302	323	(272)	353
Corporate Services	150	150	(150)	150	4,502	(1)	4,651
Customer Services	12	0	(12)	0	93	0	93
Economic Growth	0	330	0	330	0	0	330
Electoral Services	40	23	(19)	44	5	0	49
Environmental Vehicles	0	0	0	0	29	0	29
Equalities	11	0	(11)	0	0	0	0
Equipment replacement	73	0	(26)	47	0	(22)	25
Financial Services	55	32	0	87	0	0	87
General Risk reserve	17	35	(7)	45	0	0	45
Housing Benefit Implementation	200	70	0	270	0	0	270
Housing Support	724	118	(97)	745	283		1,028
Land Charges	9	0	0	9	0	0	9
Land Drainage	141	0	(12)	129	0	0	129
Parks & Open spaces	23	8	(23)	8	0	0	8
Planning Services	30	678	(39)	669	0	(271)	398
Public Donations - Shop mobility	6	0	(6)	0	0	0	0
Sports Development	63	68	(63)	68	0	(59)	9
Town Centre	45	0	(43)	2	5	0	7
Warmer Homes	12	0	0	12	4	0	16
Transformational Growth				0	123	0	123
Pensions				0	201	0	201
Regeneration Income				0	273	0	273
Covid-19 (General)				0	580	0	580
Covid-19 (Collection Fund)				0	4,433	0	4,433
<b>Total General Fund</b>	<b>5,121</b>	<b>3,881</b>	<b>(4,022)</b>	<b>4,980</b>	<b>11,947</b>	<b>(625)</b>	<b>16,302</b>
<b>HRA</b>							
Housing Capital	18,235	0	(2,977)	15,258	0	(1,694)	13,564
<b>Total HRA</b>	<b>18,235</b>	<b>0</b>	<b>(2,977)</b>	<b>15,258</b>	<b>0</b>	<b>(1,694)</b>	<b>13,564</b>
<b>Total Earmarked Reserves</b>	<b>23,356</b>	<b>3,881</b>	<b>(6,999)</b>	<b>20,238</b>	<b>11,947</b>	<b>(2,319)</b>	<b>29,866</b>

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

Note 11 Other Operating Expenditure

	2020/21 £000	2019/20 £000
Parish Council precepts	5	8
Impairment Loss	2,478	0
Payments to the Government Housing Capital Receipts Pool	776	850
Gains/losses on the disposal of non-current assets	(321)	(1,193)
Use of flexible capital receipts to fund service reform	0	100
<b>Total</b>	<b>2,938</b>	<b>(235)</b>

Note 12 Financing and Investment Income and Expenditure

	2020/21 £000	2019/20 £000
Interest payable and similar charges	3,656	3,564
Net interest on the net defined benefit liability (asset)	1,558	1,734
Interest receivable and similar income	(70)	(70)
Income and expenditure in relation to investment properties and changes in their fair value	0	0
Other investment income	0	0
<b>Total</b>	<b>5,144</b>	<b>5,228</b>

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2020/21 £000	2019/20 £000
<b>Income</b>		
Council Tax Income	(6,376)	(6,318)
Non-Domestic Rates Income and Expenditure	4,699	(4,894)
Non-ring-fenced government grants	(7,381)	(876)
Income from a Business Rates Supplement	0	0
Capital Grants and Contributions	0	(1,123)
<b>Total</b>	<b>(9,059)</b>	<b>(13,211)</b>

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## 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
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>296,552</b>	<b>9,939</b>	<b>31,830</b>	<b>4,075</b>	<b>4,028</b>	<b>1,378</b>	<b>540</b>	<b>2,286</b>	<b>349,829</b>
Adjustments re prior years	6,018		(6,064)	(1,454)	(12)	(43)	4,559	(405)	0
<b>Adjusted opening balance</b>	<b>302,570</b>	<b>9,939</b>	<b>25,774</b>	<b>12,246</b>	<b>5,034</b>	<b>1,335</b>	<b>5,099</b>	<b>1,881</b>	<b>361,279</b>
Additions (Note 36)	5,427	0		790	525				10,893
Revaluation increases/decreases to Revaluation Reserve	13,859	573	2,576	0	0	0	0	0	16,365
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	(2,478)	0	0	0	0	0	(168)
Derecognition - Disposals	(1,747)	0	0	0	0	0	0	0	(1,747)
Reclassifications & Transfers	0	0	(899)	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	43	0	0	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>320,109</b>	<b>10,512</b>	<b>24,973</b>	<b>13,035</b>	<b>5,559</b>	<b>1,377</b>	<b>5,099</b>	<b>1,881</b>	<b>386,622</b>
<b>Depreciation and Impairment</b>									
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>(2,390)</b>	<b>0</b>	<b>1,687</b>	<b>(8,171)</b>	<b>(1,008)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,450)</b>
Depreciation Charge	(5,579)	0	(1,295)	(727)	(143)	0	0	0	(7,744)
Depreciation written out on Revaluation Reserve		0		0	0	0	0	0	6,110
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	0	0	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>7,969</b>	<b>0</b>	<b>393</b>	<b>(8,898)</b>	<b>(1,151)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,084)</b>
<b>Net Book Value</b>									
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>312,140</b>	<b>10,512</b>	<b>25,365</b>	<b>4,137</b>	<b>4,408</b>	<b>1,377</b>	<b>5,099</b>	<b>1,881</b>	<b>364,912</b>
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>296,552</b>	<b>9,939</b>	<b>31,031</b>	<b>4,075</b>	<b>4,028</b>	<b>1,378</b>	<b>540</b>	<b>2,286</b>	<b>349,829</b>

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## Note 14a 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
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>279,519</b>	<b>9,274</b>	<b>37,458</b>	<b>13,516</b>	<b>4,788</b>	<b>1,378</b>	<b>135</b>	<b>1,750</b>	<b>347,818</b>
Adjustments re prior year		(215)	215						0
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>279,519</b>	<b>9,059</b>	<b>37,673</b>	<b>13,516</b>	<b>4,788</b>	<b>1,378</b>	<b>135</b>	<b>1,750</b>	<b>347,818</b>
Additions (Note 36)	7,271	260	854	184	258		405		9,232
Donations									0
Revaluation increases/decreases to Revaluation Reserve	13,114	648	(6,344)	0	0	0	0	536	7,954
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	80	(28)	(345)	0	0	0	0	0	(293)
Derecognition - Disposals	(3,432)	0	0	0	0	0	0	0	(3,432)
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,552</b>	<b>9,939</b>	<b>31,837</b>	<b>13,700</b>	<b>5,046</b>	<b>1,378</b>	<b>540</b>	<b>2,286</b>	<b>361,279</b>
<b>Depreciation and Impairment</b>									
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>0</b>	<b>0</b>	<b>(1,008)</b>	<b>(8,699)</b>	<b>(876)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,583)</b>
Adjustments relating to 2018-19	0	0				0	0	0	0
<b>Adjusted opening balance</b>	<b>0</b>	<b>0</b>	<b>(1,008)</b>	<b>(8,699)</b>	<b>(876)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,583)</b>
Depreciation Charge	(5,596)	0	(1,341)	(926)	(142)	0	0	0	(8,005)
Depreciation written out on Revaluation Reserve	5,596	0	1,542	0	0	0	0	0	7,138
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>0</b>	<b>0</b>	<b>(807)</b>	<b>(9,625)</b>	<b>(1,018)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,450)</b>
<b>Net Book Value</b>									
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,552</b>	<b>9,938</b>	<b>31,030</b>	<b>4,075</b>	<b>4,028</b>	<b>1,378</b>	<b>540</b>	<b>2,286</b>	<b>349,827</b>
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>279,519</b>	<b>9,274</b>	<b>36,450</b>	<b>4,817</b>	<b>3,912</b>	<b>1,378</b>	<b>135</b>	<b>1,750</b>	<b>337,235</b>

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Agenda Item 15

### Depreciation

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

The Council's valuers and surveyors have determined the useful economic life of the assets.

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

Vehicles, plant and equipment and software licences have a useful life 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<sup>st</sup> March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every 5 years. Bruton Knowles have been instructed to act as the Council's valuers for 2020/21.

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

Valuations of non-current assets carried at current value:

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

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

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

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

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

### Fair Value Hierarchy for Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31<sup>st</sup> March 2021 and 2020 are as follows:

2020/21 Recurring fair value measurements	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 31 <sup>st</sup> March 2021 £000
Land at Upper Norgrove				
Land at Middlehouse Lane				
<b>Total</b>				

2019/20 Recurring fair value measurements	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 31 <sup>st</sup> March 2021 £000
Land at Upper Norgrove	0	1,511	0	1,511
Land at Middlehouse Lane	0	775	0	775
<b>Total</b>	<b>0</b>	<b>2,200</b>	<b>0</b>	<b>2,200</b>

#### Transfers between levels of the fair value hierarchy

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

#### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets Significant observable inputs – Level 2

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

#### Highest and best use of surplus assets

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

#### Valuation Techniques

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

#### Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £1.881m. Valuations have been conducted by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	2019/20 £000	2020/21 £000
Balance as at 1 April		
Purchases		
Subsequent Expenditure		
Disposals		
Net gains/losses from fair value adjustments		
Reclassifications		899,474
Recognitions		
<b>Total</b>		<b>899,474</b>

#### Note 15 Investment Properties

The Authority has no investment properties.



**Note 16 Intangible Assets**

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.024m (£0.101m 2019/20) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service.

All software is assigned a useful life of seven years.

The Movement in Intangible Assets for the Year is as follows:

	2020/21		2019/20	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
<b>Balance at start of year:</b>				
· Gross carrying amounts	2,356	2,356	1,776	1,776
· Accumulated amortisation	(1,704)	(1,704)	(1,603)	(1,603)
<b>Net carrying amount at start of year</b>	<b>652</b>	<b>652</b>	<b>173</b>	<b>173</b>
Additions:				
· Purchases	(299)	(299)	580	580
<b>Net carrying amount after additions</b>	<b>353</b>	<b>353</b>	<b>753</b>	<b>753</b>
Amortisation for the period	(24)	(24)	(101)	(101)
<b>Net carrying amount at end of year</b>	<b>329</b>	<b>329</b>	<b>652</b>	<b>652</b>
Comprising:				
· Gross carrying amounts	2,057	2,057	2,356	2,356
· Accumulated amortisation	(1,728)	(1,728)	(1,704)	(1,704)
<b>Net carrying amount at end of year</b>	<b>329</b>	<b>329</b>	<b>652</b>	<b>652</b>

Of the £1.090m recognised under Purchases this is the purchase of the Housing and Finance Systems. The Housing System is currently being implemented and will not be charged amortisation until the projects is complete.

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

## Note 17 Financial Instrument Fair Value Disclosures

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:

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>												
Cash not falling into the following categories	855	1,511	0	0	855	1,511	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	10,000	9,750	0	8,202	10,000	17,952	0	0	0	952	0	952
<b>Total Financial Assets</b>	<b>10,855</b>	<b>11,261</b>	<b>0</b>	<b>8,202</b>	<b>10,855</b>	<b>19,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>952</b>	<b>0</b>	<b>952</b>
Non-Financial Assets	0	0	1,009	1,009	1,009	1,009	0	0	0	0	0	0
<b>Total</b>	<b>10,855</b>	<b>11,261</b>	<b>1,009</b>	<b>9,211</b>	<b>11,864</b>	<b>20,472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>952</b>	<b>0</b>	<b>952</b>
	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities</b>												
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised Cost	0	0	0	(6,311)	0	(6,311)	(103,929)	(104,063)	0	0	(103,929)	(103,929)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,311)</b>	<b>0</b>	<b>(6,311)</b>	<b>(103,929)</b>	<b>(103,929)</b>	<b>0</b>	<b>0</b>	<b>(103,929)</b>	<b>(103,929)</b>
Non-Financial Liabilities	0	0	(7,720)	(7,720)	(7,720)	(7,720)	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>(7,720)</b>	<b>(14,031)</b>	<b>(7,720)</b>	<b>(14,031)</b>	<b>(103,929)</b>	<b>(104,063)</b>	<b>0</b>	<b>0</b>	<b>(103,929)</b>	<b>(104,063)</b>

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

Soft Loans

	2020/21	2019/20
	£000	£000
Opening Soft Loans	907	916
Nominal Value of New Loans Granted During the Period	38	38
The fair value adjustment on initial recognition	(8)	(8)
Loans Repaid During the Period	(57)	(57)
The fair value adjustment on reclassification/prior year advances	18	18
<b>Nominal value of loans at the end of the period</b>	<b>898</b>	<b>907</b>

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

Note 18 Inventories

	Consumable Stores	
	2020/21	2019/20
	£000	£000
<b>Balance outstanding at start of year</b>	277	326
Purchases	1,466	710
Recognised as an expense in year	(1,278)	(747)
Written off balances	0	(12)
<b>Balance outstanding at year end</b>	<b>465</b>	<b>277</b>

Note 19 Debtors

	Long term debtors		Short term debtors	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Central Government Bodies	0	0	2,071	1,062
Other Local Authorities	0	0	3,794	4,052
Other entities and individuals	952	952	7,325	5,405
Housing Rents	0	0	22,053	1,386
Less bad debt provision	0	0	(17,918)	(2,694)
<b>Total</b>	<b>952</b>	<b>952</b>	<b>17,324</b>	<b>9,211</b>

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

	2020/21 £000	2019/20 £000
General Fund debtors		(305)
Council Tax		(807)
NNDR		(28)
Housing Benefit		(1,120)
Housing Rents		(434)
<b>Total</b>		<b>(2,694)</b>

**Note 20 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:

	2020/21 £000	2019/20 £000
Cash and Bank balances	6,739	1,511
Bank Overdraft	0	0
<b>Total</b>	<b>6,739</b>	<b>1,511</b>

**Note 21 Assets Held for Sale**

There were no assets held for sale as at 31st March 2021. To be an asset held for sale it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probably with 12 months. The Council holds two surplus assets which do not meet the requirements of assets held for sale, details of which can be found in **Note 14**

**Note 22 Creditors**

	Short term creditors	
	2020/21 £000	2019/20 £000
Central Government Bodies	0	(4,486)
Other local authorities	0	(6,141)
Housing Rents prepaid	0	(613)
Other entities and individuals	(15,349)	(2,791)
<b>Balance outstanding at year-end</b>	<b>(15,349)</b>	<b>(14,031)</b>

**Note 23 Provisions**

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2021 £000
Insurance	(428)	45	0	(383)
NNDR Appeals	0	(2,870)		(2,870)
Employee Benefit	(128)			(128)
<b>Total</b>	<b>(556)</b>	<b>(2,825)</b>	<b>0</b>	<b>(3,381)</b>

**Comparative Year**

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

## Note 24 Group Accounts

**Business Rates Appeals Provision**

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

Unlike previous years there is no allocation of the business rate appeals to the Council because of the arrangements in place in 2020/21 whereby Worcestershire County Council have taken the lead on a Pilot Business Rate Pool covering all of Worcestershire securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

**Insurance Provision**

The Council also holds a provision for potential insurance claims, this is currently £0.383m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

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

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

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

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

During the first four months of trading the Company made a surplus of £0.030m which is reflected in 2018/19. In 2019/20 the Company operated at breakeven after receiving £0.413m additional management fee from the Council. In 20/21 the company made a loss of £2.25m. The company activity is included in the Group CIES, MIRS and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors, this is to avoid a double count. In addition, the Company inventory, cash, and reserves are reflected in the Group Balance Sheet.

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

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

	31st March 2021	31st March 2020
	£000	£000
Total Authority Reserves	191,028	178,765
Rubicon Leisure Limited Retained Earnings at 31st March	(2,253)	30
Rubicon Pension Deficit	0	-2,601
<b>Total Reserves in the Group Balance Sheet</b>	<b>188,775</b>	<b>176,194</b>

**1.3 Group Usable Reserves**

	31st March 2021	31st March 2020
	£000	£000
Rubicon Leisure Limited Retained Earnings	(2,253)	30
Capital Receipt Reserve	8,505	7,810
Capital Grants Unapplied	375	2,404
Major Repairs Reserve	12,693	9,541
HRA Balances	744	744
HRA Earmarked Reserves	13,565	15,259
General Fund Balances	4,021	1,599
General Fund Earmarked Reserves	16,301	4,979
<b>Total</b>	<b>53,951</b>	<b>42,365</b>

Note 25 Usable Reserves

	31/03/2021	31/03/2020
	£000	£000
Capital Receipt Reserve	8,505	7,810
Capital Grants Unapplied	375	2,404
Major Repairs Reserve	12,693	9,541
HRA Balances	744	744
HRA Earmarked Reserves	(1,694)	15,259
General Fund Balances	4,021	1,599
General Fund Earmarked Reserves	31,560	4,979
Paolozzi Mosaics	105	105
<b>Total Usable Reserves</b>	<b>56,309</b>	<b>42,335</b>

**Capital Receipts Reserve**

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

	31/03/2021	31/03/2020
	£000	£000
<b>Balance 1<sup>st</sup> April</b>	<b>7,810</b>	<b>6,879</b>
Capital Receipts in year	2,068	4,625
<b>Sub-Total</b>	<b>10,085</b>	<b>11,504</b>
<b>Less:</b>		
Capital Receipts Pooled	(776)	(850)
Capital Receipts used for financing	(1,481)	(2,744)
Use of flexible capital receipts for service reform	677	(100)
<b>Balance 31<sup>st</sup> March</b>	<b>8,505</b>	<b>7,810</b>

The main capital receipts were from the sale of the council houses.

**Capital Grants Unapplied**

	31/03/2021 £000	31/03/2020 £000
<b>Balance on 1<sup>st</sup> April</b>	<b>2,404</b>	<b>2,155</b>
Unapplied Capital Grants received in year	(2,029)	377
Capital Grants applied in year to finance capital projects	0	(128)
<b>Balance on 31<sup>st</sup> March</b>	<b>375</b>	<b>2,404</b>

**Major Repairs Reserve**

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.869m in the year. The reserve was used to finance £2.194m of the Housing Investment Programme increasing the balance held in the reserve from £5.866m to £9.541m.

	31/03/2021 £000	31/03/2020 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>9,541</b>	<b>5,866</b>
Depreciation	5,684	5,869
Capital expenditure on HRA Land, Houses and Other Property	(2,532)	(2,194)
<b>Balance at 31<sup>st</sup> March</b>	<b>12,693</b>	<b>9,541</b>

**Note 26 Unusable Reserves**

	31/03/2021	31/03/2020 £000
Revaluation Reserve	68,819	52,214
Capital Adjustment Account	152,332	157,877
Pensions Reserve	(76,490)	(74,093)
Collection Fund Adjustment Account	(7,559)	560
Accumulated Absences Account	(127)	(127)
<b>Total Unusable Reserves</b>	<b>136,975</b>	<b>136,430</b>

**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<sup>st</sup> 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.



	31/03/2021	31/03/2020
	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	51,811	37,497
Upward revaluation of assets	17,008	15,090
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>17,008</b>	<b>15,090</b>
Difference between fair value depreciation and historical cost depreciation	0	(373)
<b>Amount written off to the Capital Adjustment Account</b>	<b>0</b>	<b>(373)</b>
<b>Balance at 31<sup>st</sup> March</b>	<b>68,819</b>	<b>52,214</b>

Capital Adjustment Account

	31/03/2021		31/03/2020
	£000	£000	£000
<b>Balance at 1<sup>st</sup> April</b>		<b>157,877</b>	<b>160,477</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of non-current assets	(7,874)		(8,008)
Revaluation losses on Property, Plant and Equipment	(2,478)		(293)
Amortisation of Intangible Assets	(18)		(101)
Revenue expenditure funded from capital under statute	(463)		(715)
Amounts of noncurrent assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,747)		(3,432)
		<b>(12,579)</b>	<b>(12,549)</b>
Adjusting amounts written out of the Revaluation Reserve			
Recognition of Long-Term Debtors which in previous years were treated as revenue expenditure charged to capital under statute		(456)	373
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(13,035)</b>	<b>(12,176)</b>
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure	3,289		2,744
Use of the Major Repairs Reserve to finance new capital expenditure	2,531		2,194
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(463)		746
Application of grants to capital financing from the Capital Grants Unapplied Account	0		128
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	845		851
Capital expenditure charged against the General Fund and HRA balances	1,288		2,913
		<b>7,490</b>	<b>9,576</b>
Deferred Capital Receipts realised		0	
<b>Balance at 31<sup>st</sup> March</b>		<b>152,332</b>	<b>157,877</b>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as 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.

	31/03/2021	31/03/2020
	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	<b>(74,087)</b>	<b>(76,570)</b>
Remeasurements of the net defined benefit liability/(asset)	(1,057)	4,385
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	(4,701)	(5,683)
Employers' pensions contributions and direct payments to pensioners payable in the year	3,355	3,775
<b>Balance at 31<sup>st</sup> March</b>	<b>(76,490)</b>	<b>(74,093)</b>

#### Collection Fund Adjustment Account

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

	31/03/2021	31/03/2020
	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	<b>560</b>	<b>(2,590)</b>
Amount by which Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(8,119)	3,150
<b>Balance at 31<sup>st</sup> March</b>	<b>(7,559)</b>	<b>560</b>

#### Accumulated Absences Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave 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.

	31/03/2021	31/03/2020
	£000	£000
<b>Balance at 1<sup>st</sup> April</b>	<b>(127)</b>	<b>(127)</b>
Settlement or cancellation of accrual made at the end of the preceding year	127	127
Amounts accrued at the end of the current year	(127)	(127)
<b>Balance at 31<sup>st</sup> March</b>	<b>(127)</b>	<b>(127)</b>

**Note 27 Cash Flow Statement - operating activities**

	Authority	Group	Authority	Group
	2020/21	2020/21	2019/20	2019/20
	£000	£000	£000	£000
Interest Paid	(7,613)	(7,613)	(3,553)	(3,553)
Interest Received	7	7	70	70
	2020/21	2020/21	2019/20	2019/20
	£000	£000	£000	£000
<b>Adjustment to surplus or deficit on the provision of services for non-cash movements</b>				
Depreciation	(7,857)	(7,857)	8,008	8,010
Impairment & downward valuations	(2,478)	(2,478)	(572)	(572)
Amortisation	(17)	(17)	100	100
(Increase)/Decrease in Debtors	8,113	(9,662)	(2,414)	(3,384)
Increase/(Decrease) in Creditors	(15,039)	2,632	(370)	757
(Increase)/Decrease in Inventories	188	186	52	50
Movement in pension liability	(3,046)	(3,046)	5,550	6,024
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	(1,747)	(1,747)	4,298	4,298
Other items charged to the net surplus or deficit on provision of services	(2,825)	(2,825)	(2,716)	(2,716)
<b>Total</b>	<b>(24,708)</b>	<b>(24,813)</b>	<b>11,936</b>	<b>12,567</b>

<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>				
Proceeds from the sale of PP&E, investment property and intangible assets			(4,710)	(4,710)
Any other items	673	463	(1,223)	(1,223)
<b>Total</b>	<b>673</b>	<b>463</b>	<b>(5,933)</b>	<b>(5,933)</b>

**Note 28 Cash Flow from Investing Activities**

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

**Note 29 Cash flows from Financing Activities**

	2020/21
	£000
Cash Receipts from Short- and Long-Term Borrowing	0
Repayment of Short- and Long-Term Borrowing	0
Other payments for Financing Activities	0
<b>Net Cash flows from Financing Activities</b>	<b>0</b>

**Note 30 Reconciliation of Liabilities from Financial Activities**

2020/21

	Long Term Borrowing £000
<b>Balance as at 1<sup>st</sup> April 2020</b>	(104,063)
Cashflows:	
Repayments	0
Borrowing	(1,658)
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(105,721)</b>

**Note 31 Members' Allowances**

	2020/21 £000	2019/20 £000
Salaries	128	126
Allowances	95	88
Expenses	7	12
<b>Total</b>	<b>230</b>	<b>226</b>

**Note 32 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.

	2020/21 £000	2019/20 £000
Housing Benefit Fee Variations 2016/17	0	0
Housing Benefit Fee Variations 2017/18	0	0
Fee Variations agreed for External Audit 2017/18 *	0	0
Fee Variations agreed for External Audit 2018/19 *	0	13
Fee Variations agreed for External Audit 2020/21 *	26	0
Housing Benefit Audit	28	24
Fees payable with regard to external audit services carried out by the appointed auditor for the year*	42	53
Estimated Additional fees to be incurred **	0	7
<b>Total</b>	<b>96</b>	<b>97</b>

**Note 33 Employees Remuneration**

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

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services	2020/21	111,236	20,690	<b>131,926</b>	65,963	<b>65,963</b>
	2019/20	108,254	15,913	<b>124,167</b>	62,084	<b>62,084</b>
TOTAL	2020/21	<b>111,236</b>	<b>20,690</b>	<b>131,926</b>	<b>65,963</b>	<b>65,963</b>
	2019/20	<b>108,254</b>	<b>15,913</b>	<b>124,167</b>	<b>62,084</b>	<b>62,083</b>

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total £
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2020/21	139,045	24,750	<b>163,795</b>	81,898	<b>81,898</b>
	2019/20	135,317	19,486	<b>154,803</b>	77,402	<b>77,402</b>
Executive Director of Finance & Resources	2020/21	66,302	11,169	<b>77,471</b>	38,736	<b>38,736</b>
	2019/20	100,134	14,419	<b>114,553</b>	57,277	<b>57,277</b>
Head of Legal & Democratic Services	2020/21	85,095	15,486	<b>100,581</b>	50,291	<b>50,291</b>
	2019/20	82,814	11,925	<b>94,739</b>	47,370	<b>47,370</b>
TOTAL	2020/21	<b>290,442</b>	<b>51,405</b>	<b>341,847</b>	<b>170,924</b>	<b>170,924</b>
	2019/20	<b>318,266</b>	<b>45,830</b>	<b>364,096</b>	<b>182,048</b>	<b>182,049</b>

**Senior Employees' Remuneration**

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

**Redditch Borough Council**

	2020/21	2019/20
£50,001 to £55,000	1	0
£55,001 to £60,000	0	2
£60,001 to £65,000	1	1
£65,001 to £70,000	0	1
£70,001 to £75,000	0	0
£75,001 to £80,000	1	0
£80,001 to £85,000	0	3
£85,001 to £90,000	3	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
<b>Total</b>	<b>6</b>	<b>7</b>

**Bromsgrove District Council**

	2020/21	2019/20
£50,001 to £55,000	0	2
£55,001 to £60,000	2	9
£60,001 to £65,000	9	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	1
£85,001 to £90,000	1	0
£90,001 to £95,000	0	1
£95,001 to £100,000	1	0
<b>Total</b>	<b>13</b>	<b>15</b>

**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 following table.

# Redditch Borough Council

Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2021

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	0	0	10	7	10	7	59,104	25,440
£20,001 - £40,000	0	0	2	1	2	1	63,446	20,465
£40,001 - £60,000	0	0	2	0	2	0	86,809	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0	0	0
£200,000 - £250,000	0	0	0	0	0	0	0	0
<b>Total cost included in bandings</b>							<b>209,359</b>	<b>45,905</b>
Recharge to Bromsgrove District Council							0	0
<b>Cost to Redditch Borough Council</b>							<b>209,359</b>	<b>45,905</b>
Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council							19,623	0
<b>Total cost included in the CIES</b>							<b>228,982</b>	<b>45,905</b>

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

Credited to Taxation and Non-Specific Grant Income	2020/21 £000	2019/20 £000
Revenue Support Grant	0	0
New Homes Bonus	(926)	(754)
S31	(1,272)	0
Other Government Grants	0	(126)
Capital Grants	0	(1,129)
<b>Total</b>	<b>(2,198)</b>	<b>(2,004)</b>

Credited to Services	2020/21 £000	2019/20 £000
Cabinet Office - Individual Electoral Registration	0	(20)
MHCLG - Council Tax Support Admin Subsidy	(95)	(97)
MHCLG - Local Plans	0	
MHCLG - Cost of Collection	(107)	(107)
MHCLG - Homelessness Grant	(291)	(223)
MHCLG - Town Deal	0	(173)
MHCLG - COVID-19	0	(13)
MHCLG - New Burdens	0	(11)
MHCLG - Other Grant Income	0	(30)
DWP - Benefit Schemes	(77)	(75)
DWP - Discretionary Housing	(51)	(77)
DWP - Housing Benefit Subsidy	(14,551)	(15,538)
DWP - Housing Benefit Subsidy Admin Grant	(224)	(221)
Bus Grant	0	(7)
Worcestershire County Council - Redditch Centre Development	0	(250)
Worcestershire County Council - Positive Activity Fund	0	(64)
Sports Partnership	(19)	(27)
Apprenticeship Levy	0	(4)
Other Grants	(381)	0
MHCLG Covid-19 Emergency Grant	(1,417)	0
MHCLG Covid-19 Sales, Fees and Charges Grant	(361)	0
WCC Food and Essential Supplies	(88)	0
<b>Total</b>	<b>(17,662)</b>	<b>(16,937)</b>

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

	2020/21 £000	2019/20 £000
Covid-19 Business Support Grants (Tranche 1)	(121)	0
Covid-19 Business Support Grants (Tranche 2)	(14,329)	0
Covid-19 Test and Trace Support Payments - Self Isolation Payments	(4,265)	0
<b>Total</b>	<b>(18,715)</b>	<b>0</b>

Grants Received in Advance (Revenue)	2020/21 £000	2019/20 £000
Covid-19 S31 grant	(8,325)	0
<b>Total</b>	<b>(8,325)</b>	<b>0</b>

Grants Received in Advance (Capital)	2020/21 £000	2019/20 £000
Disabled Facilities Grant		727
<b>Total</b>		<b>727</b>



**Note 35 Related Parties**

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

**Central Government**

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note 34**.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in **Note 31**. 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 2020/21 all members have completed a register of members' disclosable pecuniary interest. A member has declared an interest in the Town Centre Partnership. The Town Centre Partnership have been working with the Council on the Business Improvement District (BID) Scheme where local businesses have voted to invest in the local trading environment of which Redditch Council is a member.

**Officers**

There were no disclosures made by officers in 2020/21.

**Entities Controlled or Significantly Influenced by the Authority**

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £0.619m for hosting Environmental Health and Licensing (£0.558m in 2019/20).

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it. The details of the transactions between the Council and Rubicon Leisure can be seen in **Note 24**.

**Note 36 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.

<b>Capital Expenditure and Capital Financing</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>140,326</b>	<b>139,589</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	10,893	9,232
Intangible Assets	1,027	580
Heritage Assets	0	0
Long Term Debtors	38	38
Revenue Expenditure Funded from Capital under Statute	463	715
<b>Total Capital investments</b>	<b>12,421</b>	<b>10,565</b>
<b>Sources of finance</b>		
Capital receipts	(1,481)	(2,744)
Government grants and other contributions	0	(874)
Major Repairs Allowance	(2,531)	(2,194)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions:		
General Fund	0	0
HRA	(1,288)	(2,913)
Minimum Revenue Provision	(845)	(851)
<b>Total Sources of Finance</b>	<b>(6,145)</b>	<b>(9,576)</b>
Long Term Debtors previously financed through CFR	0	0
<b>Closing Capital Finance Requirement</b>	<b>146,602</b>	<b>140,578</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,276	989
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>6,276</b>	<b>989</b>

**Note 37 Leases****Operating and Finance Leases****Authority as Lessee:*****Operating Leases (Authority as lessee)***

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

	2020/21 £000	2019/20 £000
Minimum lease payments	240	240
Less: Sublease payments receivable	(117)	(117)
<b>Total</b>	<b>123</b>	<b>123</b>

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

	2020/21 £000	2019/20 £000
Minimum lease rentals payable:		
No later than 1 year	43	43
Later than 1 year and no later than 5 years	10	10
<b>Total</b>	<b>53</b>	<b>53</b>

The Council has no finance leases.

**Authority as Lessor:**

***Operating Leases***

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

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

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

	31/03/2021 £000	31/03/2020 £000
No later than 1 year	363	363
Later than 1 year and no later than 5 years	1,263	1,263
Later than 5 years	1,681	1,681
<b>Total</b>	<b>3,307</b>	<b>3,307</b>

The 2019/20 passing rent was £0.592m.

***Finance Leases***

The Council has no finance leases.

**Note 38 Defined Benefit Pension Schemes**

**Retirement Benefits**

**Participation in the Local Authority Pension Scheme**

**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	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,123	3,217	0	0
Past service cost and Curtailments	20	732	0	0
(Gain)/loss from settlements	0	0	0	0
<b>Financing and Investment Income and Expenditure:</b>				
Net Interest expense	1,484	1,643	74	91
<b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b>	<b>4,627</b>	<b>5,592</b>	<b>74</b>	<b>91</b>

<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	(21,414)	8,101	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(5,316)	0	(94)
Actuarial (gains) and losses arising on changes in financial assumptions	25,946	(3,165)	327	(41)
Actuarial (gains)/losses from experience	(3,766)	(3,589)	(75)	(318)
Other	39	37	0	0
<b>Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>805</b>	<b>(3,932)</b>	<b>252</b>	<b>(453)</b>
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>5,432</b>	<b>1,660</b>	<b>326</b>	<b>(362)</b>

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,627)	(5,592)	(74)	(91)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	3,086	3,499		
Retirement benefits payable to pensioners			269	276

**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	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Present value of the defined obligation	(192,948)	(168,638)	(3,294)	(3,237)
Fair value of plan assets	119,745	97,781	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(73,203)</b>	<b>(70,858)</b>	<b>(3,294)</b>	<b>(3,237)</b>

Net Liability and Pension Strain		Local Government Pension Scheme	
		2020/21	2019/20
		£000	£000
Local Government Pension Scheme	(73,203)	(70,857)	
Discretionary Benefits	(3,294)	(3,237)	
<b>Sub-total</b>	<b>(76,497)</b>	<b>(74,094)</b>	
Advance Payment of Pension Contributions	5,799	0	
<b>Net liability arising from the defined benefit obligation</b>	<b>(70,698)</b>	<b>(74,094)</b>	

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

In April 2020, the Council made an advance payment of pension contributions 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31<sup>st</sup> March 2021 the Pension Liability is £5.799m lower than the Pension Reserve representing the advance payment relating to 2021/22 and 2022/23.

The Worcestershire Pension Fund Accounts provide more specific detail regarding the impact of Covid-19 in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

		Local Government Pension Scheme		Discretionary Benefits	
		2020/21	2019/20	2020/21	2019/20
		£000	£000	£000	£000
Opening fair value of scheme assets		97,781	104,471	0	0
Interest income		2,501	2,558		
Remeasurement gain/(loss):					
	the return on plan assets, excluding the amount included in the net interest expense	21,414	(8,110)		
Contributions from employer		3,086	3,499	269	276
Contributions from employees into the scheme		620	600		
Benefits/transfers paid		(5,618)	(5,200)	(269)	(276)
Administration costs		(39)	(37)		
<b>Closing value of scheme assets</b>		<b>119,745</b>	<b>97,781</b>	<b>0</b>	<b>0</b>

Reconciliation of present value of the scheme liabilities:

		Local Government Pension Scheme		Discretionary Benefits	
		2020/21	2019/20	2020/21	2019/20
		£000	£000	£000	£000
<b>Opening balance at 1<sup>st</sup> April</b>		(168,638)	(177,173)	(3,237)	(3,875)
Current service cost		(3,123)	(3,217)		
Interest cost		(3,985)	(4,201)	(74)	(91)
Contributions from scheme participants		(620)	(600)		
Remeasurement (gains) and losses:					
	Actuarial (gains)/losses from changes in demographic assumptions	0	5,331	0	94
	Actuarial gains/(losses) from changes in financial assumptions	(25,946)	3,165	(327)	41
Past service cost	Experience (gains/losses)	3,766	3,589	75	318
		0	(726)		
Losses/(gains) on curtailments where relevant		(20)	(6)		
Benefits/transfers paid		5,618	5,200	269	276
<b>Balance as at 31<sup>st</sup> March</b>		<b>(192,948)</b>	<b>(168,639)</b>	<b>(3,294)</b>	<b>(3,237)</b>

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2021 £000	31/03/2020 £000
<b>Cash and cash equivalents</b>	0	586
<b>Equities:</b>		
UK quoted	144	195
Overseas quoted	36,786	23,663
PIV - UK managed	16,318	12,321
PIV - UK managed (overseas)	46,377	32,756
PIV - Overseas managed	143	98
<b>Sub-total equity</b>	<b>99,768</b>	<b>69,033</b>
<b>Bonds:</b>		
UK Corporate	0	391
Overseas Corporate	0	4,498
Other Corporate	1,900	0
UK Government Fixed	0	7,041
Overseas Government	0	98
<b>Sub-total bonds</b>	<b>1,900</b>	<b>12,028</b>
<b>Property:</b>		
European Property Fund	2,306	2,249
UK Property Debt	461	685
Overseas Property Debt	346	489
UK Property Funds	2,421	2,053
Overseas REITs	115	195
<b>Sub-total property</b>	<b>5,649</b>	<b>5,671</b>
<b>Alternatives</b>		
UK Infrastructure	4,700	4,792
European Infrastructure	3,342	2,640
US Infrastructure	2,507	1,760
UK Stock Options	417	685
Overseas Stock Options	105	(587)
Corporate Private Debt	1,358	1,173
<b>Sub-total alternative funds</b>	<b>12,429</b>	<b>10,463</b>
<b>Total assets</b>	<b>119,746</b>	<b>97,781</b>

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<sup>st</sup> April 2019.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21	2019/20	2020/21	2019/20
<b>Mortality assumptions:</b>				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.6	22.7	22.6
Women	25.1	25.0	25.1	25.0
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.2	24.4	24.2
Women	27.1	27.0	27.1	27.0
<b>Financial assumptions:</b>				
Rate of inflation	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries	4.2%	3.6%	4.2%	3.6%
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Discount Rate	2.1%	2.4%	2.1%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The longevity 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)	6,004	(6,004)
Rate of inflation (increase or decrease by 0.1%)	3,109	(3,109)
Rate of increase in salaries (increase or decrease by 0.1%)	252	(252)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,061)	3,061

**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<sup>st</sup> March 2014 (or service after 31<sup>st</sup> March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2018/19 (17 years 2017/18).



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

#### Note 39 Contingent Liabilities

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

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

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

#### Note 40 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<sup>st</sup> March 2021.

#### Note 41 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by 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:

	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
<b>UK Govt</b>	n/a	n/a	£ Unlimited 50 years	n/a	n/a
<b>AAA</b>	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
<b>AA+</b>	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
<b>AA</b>	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
<b>AA-</b>	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
<b>A+</b>	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
<b>A</b>	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
<b>A-</b>	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
<b>None</b>	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
<b>Pooled funds</b>	£2.5m per fund or trust				

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

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

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

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

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

### Debtors

At 31<sup>st</sup> March 2021, Redditch Borough Council had investments of £9.750m and held £1.445m in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31<sup>st</sup> March 2021 is shown in the table below:

	2020/21 £000	2019/20 £000
Less than three months		1,561
Three to six months		87
Six months to one year		72
More than one year		487
<b>Total</b>		<b>1,207</b>

### 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:

	2020/21 £000	2019/20 £000
Less than one year		0
Between one and five years		0
More than five years		103,929
<b>Total</b>		<b>103,929</b>

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 £5m loan due to mature in 2032 with an interest rate of 4.71%. In addition, the Council has borrowings of £98.929m to fund the Housing Settlement payment, secured through the Public Works Loan Board with maturities between 2032 and 2042.

### Interest Rate Risk

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

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

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

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

### Price Risk

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

Housing Revenue Account for the year ended 31<sup>st</sup> March

	2020/21 £000	2019/20 £000
<b>Expenditure</b>		
Repairs & Maintenance	(4,970)	(6,275)
Supervision & Management	(6,972)	(8,292)
Rents, Rates, Taxes and other charges	(61)	(172)
Housing Revenue Account Subsidy payable	0	0
Depreciation, impairments and revaluation losses of non-current assets	(5,857)	(5,938)
Debt Management Costs	(9)	(9)
Movement in the allowance for bad debts	(184)	(88)
Sums directed by the Secretary of State or Welsh Government that are expenditure in accordance with the Code	0	0
Other	0	0
<b>Total Expenditure</b>	<b>(18,053)</b>	<b>(20,774)</b>
<b>Income</b>		
Dwelling rents	22,931	22,983
Non-dwelling rents	541	541
Charges for services and facilities	645	630
Flexible Use of Capital Receipts	0	100
Capitalisation of System Implementation Team	99	79
Contributions towards Supported Housing	59	54
Housing Revenue Account Subsidy Receivable	0	0
Sums directed by the Secretary of State or Welsh Government that are income in accordance with the Code	0	0
Other	5	0
<b>Total Income</b>	<b>24,280</b>	<b>24,387</b>
<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>6,227</b>	<b>3,613</b>
HRA Services Share of Corporate & Democratic Core	(650)	(682)
HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0	0
<b>Net Expenditure of HRA Services</b>	<b>5,577</b>	<b>2,931</b>
Gains/(loss) on sale of HRA Fixed Assets	321	782
Interest Payable and Similar Charges	(4,175)	(4,185)
HRA Interest and Investment Income		143
Net interest on the defined benefit liability (asset)	(841)	(975)
Capital Grants and Contributions		
<b>Surplus or (Deficit for Year) on HRA Services</b>	<b>882</b>	<b>(1,304)</b>

**Movement on the HRA Statement**

	2020/21 £000	2019/20 £000
<b>Balance on the HRA at the end of the previous year</b>	<b>744</b>	<b>770</b>
Surplus or (Deficit) on the HRA Income and Expenditure Statement	882	(1,304)
Adjustments between accounting basis and funding basis under statute	(1,288)	(1,669)
Net Increase or (Decrease) before transfers to or from reserves	(406)	(3,003)
Transfers (to)/from Reserves	1,694	2,977
<b>Increase or (decrease) on the HRA for the year</b>	<b>1,288</b>	<b>(26)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>2,032</b>	<b>744</b>

**Notes to the Housing Revenue Account**

	2020/21 £000	2019/20 £000
Transfers to/(from) the Capital Adjustment Account	5,857	5,938
Gain or loss on sale of HRA non-current assets	(321)	(782)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0
HRA Share of Contributions to or from the Pension Reserve	727	1,927
Transfers to/(from) Major Repairs Reserve	(5,857)	(5,869)
Capital expenditure funded by the HRA	(1,694)	(2,913)
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(1,288)</b>	<b>(1,699)</b>

**Transfers to/from Reserves**

	2020/21 £000	2019/20 £000
Transfers (to)/from earmarked reserves	0	2,977
<b>Total Transfers</b>	<b>0</b>	<b>2,977</b>

### Notes to the Housing Revenue Account

#### Current Year

	Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>296,564</b>	<b>3,626</b>	<b>534</b>	<b>1,510</b>	<b>395</b>	<b>302,234</b>
Additions	5,427	0	0	0	0	5,427
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,859	415	0	10	0	14,284
Revaluation increases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	(1,747)	0	0	0	0	(1,747)
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>314,103</b>	<b>4,041</b>	<b>534</b>	<b>1,520</b>	<b>0</b>	<b>320,198</b>
<b>Depreciation and Impairment</b>						
<b>Balance as at 1<sup>st</sup> April 2020</b>	<b>(12)</b>	<b>0</b>	<b>(401)</b>	<b>0</b>	<b>0</b>	<b>(413)</b>
Depreciation Charge	(5,579)	0	(104)	0	0	(5,683)
Depreciation written out on Revaluation Reserve	5,579	0	0	0	0	5,579
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(12)</b>	<b>0</b>	<b>(505)</b>	<b>0</b>	<b>0</b>	<b>(517)</b>
<b>Net Book Value</b>						
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>314,091</b>	<b>4,041</b>	<b>29</b>	<b>1,520</b>	<b>395</b>	<b>319,681</b>
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,552</b>	<b>3,626</b>	<b>133</b>	<b>1,510</b>	<b>395</b>	<b>301,821</b>

# Redditch Borough Council

## Supplementary Statements for the year ended 31<sup>st</sup> March 2021 – Housing Revenue Account

Property, Plant & Equipment (PP&E)						
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Intangible Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>279,531</b>	<b>3,775</b>	<b>534</b>	<b>1,500</b>	<b>86</b>	<b>285,426</b>
Additions	7,271	0	0	0	343	7614
Donations	0	0	0	0	0	0
Revaluation increases to Revaluation Reserve	13,114	0	0	10	0	13,124
Revaluation increases to Surplus or Deficit on the Provision of Services	80	(149)	0	0	0	(69)
Derecognition - Disposals	(3,432)	0	0	0	0	(3,432)
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,564</b>	<b>3,626</b>	<b>534</b>	<b>1,510</b>	<b>429</b>	<b>302,663</b>
<b>Depreciation and Impairment</b>						
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>(12)</b>	<b>0</b>	<b>(297)</b>	<b>0</b>	<b>(17)</b>	<b>(326)</b>
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0
<b>Adjusted opening balance</b>	<b>(12)</b>	<b>0</b>	<b>(297)</b>	<b>0</b>	<b>(17)</b>	<b>(326)</b>
Depreciation Charge	(5,596)	(152)	(104)	0	(17)	(5,869)
Depreciation written out on Revaluation Reserve	5,596	152	0	0	0	5,748
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>(12)</b>	<b>0</b>	<b>(401)</b>	<b>0</b>	<b>(34)</b>	<b>(447)</b>
<b>Net Book Value</b>						
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>296,552</b>	<b>3,626</b>	<b>133</b>	<b>1,510</b>	<b>395</b>	<b>302,216</b>
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>279,519</b>	<b>3,775</b>	<b>237</b>	<b>1,500</b>	<b>69</b>	<b>285,100</b>



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<sup>st</sup> April each year.

The vacant possession value (open market value) of Council dwellings as at 31<sup>st</sup> March 2021 was £741.383m. 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.

### Housing Stock

The number of dwellings in the Authority's housing stock, as at 31<sup>st</sup> March 2021, totalled 5670 properties. The type of properties are analysed below:

	2020/21	2019/20
	Number	Number
<b>Property Type</b>		
Flats and Maisonettes		
1 Bed	1,544	1,543
2 Bed	534	535
3 Bed	30	30
<b>Sub-Total</b>	<b>2,108</b>	<b>2,108</b>
Non-Permanent	41	41
<b>Sub-Total</b>	<b>41</b>	<b>41</b>
Houses / Bungalows		
1 Bed	654	654
2 Bed	868	872
3 Bed	1,834	1,846
4 or More	165	164
<b>Sub-Total</b>	<b>3,521</b>	<b>3,536</b>
<b>Total Dwellings 31 March</b>	<b>5,670</b>	<b>5,685</b>

### Housing Revenue Account Capital Expenditure

	2020/21	2019/20
	£000	£000
<b>Capital investment</b>		
Operational assets	5,427	7,271
Intangible Assets	281	343
	<b>5,708</b>	<b>7,614</b>
<b>Sources of funding</b>		
Capital Receipts	1,482	2,507
Major Repairs Reserve	2,532	2,194
Direct Revenue Financing	1,694	2,913
	<b>5,708</b>	<b>7,614</b>

**Rent Arrears**

During 2020/21 total rent arrears remaining broadly the same, a summary of rent arrears and prepayments are shown in the following table:

	2020/21	2019/20
	£000	£000
Current Tenant Arrears	1,046	805
Former Tenant Arrears	376	296
<b>Total Rent Arrears</b>	<b>1,422</b>	<b>1,101</b>
Prepayments	(522)	(553)
<b>Net Rent Arrears</b>	<b>900</b>	<b>548</b>

The rent arrears and prepayments exclude supporting people balances.

**Depreciation and Impairment of Non-Current Assets**

	2020/21		2019/20	
	£000		£000	£000
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,579	0	5,596	0
Other Land and Buildings	159	0	152	0
Vehicles, Plant, Furniture and Equipment	104	0	104	0
Intangible Assets	18	0	17	0
<b>Total</b>	<b>5,860</b>	<b>0</b>	<b>5,869</b>	<b>0</b>

	2020/21	2019/20
	£000	£000
<b>HRA Income &amp; Expenditure Account</b>		
Current Service Cost	1,698	3,136
Past Service Costs		412
Net interest expense	841	975
<b>Total</b>	<b>2,539</b>	<b>4,523</b>
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(1,812)	(2,596)
<b>Movement on Pension Reserve</b>	<b>727</b>	<b>1,927</b>

**Total Capital Receipts Generated during the year**

	2020/21	2019/20
	£000	£000
Council Houses	2,106	4,298
Other Property	-	1
<b>Sub Total</b>	<b>2,106</b>	<b>4,299</b>
Disposal Costs	(39)	(85)
<b>Total HRA capital receipts</b>	<b>2,067</b>	<b>4,214</b>

Collection Fund

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<sup>st</sup> MARCH 2021

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				21	14.86	5/9	8.26	135.64
A	Up to & including	40,000		7,655	4,788.48	6/9	3,192.32	162.77
B		40,001	- 52,000	11,978	9,534.08	7/9	7,415.40	189.89
C		52,001	- 68,000	7,668	6,750.35	8/9	6,000.31	
D		68,001	- 88,000	4,316	3,939.55	9/9	3,939.55	244.15
E		88,001	- 120,000	3,289	3,121.55	11/9	3,815.23	298.41
F		120,001	- 160,000	1,209	1,151.42	13/9	1,663.16	352.66
G		160,001	- 320,000	468	446.72	15/9	744.53	406.92
H	More Than		320,001	18	17.00	18/9	34.00	488.30

Adjustment 0.98

**Council tax base** **26,276.50**

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2020

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				19	13.10	5/9	7.28	132.86
A	Up to & including	40,000		7,656	4,734.60	6/9	3,156.40	159.43
B		40,001	- 52,000	11,943	9,450.00	7/9	7,350.00	186.01
C		52,001	- 68,000	7,474	6,538.70	8/9	5,812.18	212.58
D		68,001	- 88,000	4,286	3,899.70	9/9	3,899.70	239.15
E		88,001	- 120,000	3,219	3,045.30	11/9	3,722.03	292.29
F		120,001	- 160,000	1,189	1,133.10	13/9	1,636.70	345.55
G		160,001	- 320,000	462	444.80	15/9	741.33	398.58
H	More Than		320,001	18	17.00	18/9	34.00	478.30

Adjustment 0.99

**Council tax base** **26,096.03**

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

	2020/21	2019/20
	£	£
Redditch Borough Council	244.15	239.15
Worcestershire County Council	1,311.05	1,260.75
Police and Crime Commissioner for West Mercia	225.20	216.66
Hereford and Worcestershire Fire and Rescue	85.99	84.34
<b>Total Council Tax for non-parish areas</b>	<b>1,866.39</b>	<b>1,800.90</b>
Feckenham Parish Council	27.21	22.43
<b>Total Council Tax for Feckenham</b>	<b>1,893.60</b>	<b>1,823.33</b>

**Note 2 – Non-Domestic Rates**

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2020/21 the rate poundage was 51.2p (50.4p 2019/20). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at **Note 13**.

The total rateable value at 31<sup>st</sup> March 2021 was **£81,399,320**.

For 2020/21 the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement.

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

**ACCRUALS**

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

**ACTUARIAL GAINS AND LOSSES**

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

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

**ASSET**

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

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

**AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

**BALANCE SHEET**

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

**BORROWING**

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

**BUDGET**

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

**CAPITAL EXPENDITURE**

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

**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.

## Glossary

**CAPITAL RECEIPT**

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

**CLAW-BACK**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXPECTED RETURN ON PENSION ASSETS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HOUSING BENEFITS**

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

**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.

## Glossary

**INVESTMENTS (PENSION FUND)**

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

**LIABILITY**

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

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

**LIQUID RESOURCES**

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

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

**LONG-TERM CONTRACT**

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

**MATERIALITY**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NET BOOK VALUE**

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

**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.



## Glossary

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

**PROVISION**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RATEABLE VALUE**

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

**Glossary**

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.