



# Audit, Governance and Standards Committee

Thursday 24 September  
2015  
7.00 pm

Committee Room 2  
Town Hall  
Redditch

**REDDITCH** BOROUGH COUNCIL

*making  
a  
difference*

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

**If you have any queries on this Agenda or any of the decisions taken or wish to exercise any of the above rights of access to information, please contact  
Amanda Scarce  
Democratic Services**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH  
Tel: 01527 881443  
e.mail:[a.scarce@bromsgroveandredditch.gov.uk](mailto:a.scarce@bromsgroveandredditch.gov.uk)**



# Audit, Governance & Standards Committee

Thursday, 24th September, 2015  
7.00 pm

Committee Room 2 Town Hall

## Agenda

### Membership:

Cllrs:                    David Thain (Chair)                    Andrew Fry  
                                  Jane Potter (Vice-                    Gareth Prosser  
                                  Chair)                                    Rachael Smith  
                                  Natalie Brookes                    Pat Witherspoon  
                                  Michael Chalk  
                                  John Fisher

<p><b>1. Apologies and named Substitutes</b></p>	<p>To receive the apologies for absence and details of any Councillor nominated to attend the meeting in place of a member of the Committee.</p>
<p><b>2. Declarations of Interest</b></p>	<p>To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in item of the agenda, and to confirm the nature of those interests.</p>
<p><b>3. Minutes</b> (Pages 1 - 16)</p>	<p>To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 2nd July 2015.  (Minutes attached)</p>
<p><b>4. Monitoring Officer's Report - Standards Regime</b> (Pages 17 - 20)  Head of Legal, Equalities and Democratic Services</p>	<p>To receive a report from the Monitoring Officer on any matters of relevance to the Committee.  (Report attached)  <b>(No Direct Ward Relevance)</b></p>
<p><b>5. Feckenham Parish Council Representative's Report - Standards Regime</b></p>	<p>To receive a report from the Feckenham Parish Council Representative on any matters of relevance to the Committee.  (Oral report)  <b>(Astwood Bank &amp; Feckenham Ward)</b></p>

# Audit, Governance and Standards Committee

Thursday, 24th September, 2015

<b>6. Grant Thornton - Audit Findings Report 2014/15</b>	To enable Members to consider the Audit Findings Report 2014/15 from Grant Thornton.  (Report to follow)  <b>(No Direct Ward Relevance)</b>
<b>7. Statement of Accounts 2014/15</b>  (Pages 21 - 118)  Executive Director, Finance and Resources	To approve the Statement of Accounts for 2014/15.  (Report attached)  <b>(No Direct Ward Relevance)</b>
<b>8. Internal Audit Progress Report</b>  (Pages 119 - 146)	To consider the progress report of internal audit work with regard to the 2015/16 audit work and the residual 2014/15 work.  <b>(No Direct Ward Relevance)</b>
<b>9. Independent Member Performance Report</b>  (Pages 147 - 150)  Executive Director, Finance and Resources	To update members on the role of the Independent Member and for Members to consider any changes to the role.  <b>(No Direct Ward Relevance)</b>
<b>10. Corporate Governance including Risk</b>  Executive Director, Finance and Resources	Presentation from the Executive Director, Finance and Resources  (Presentation to follow)  <b>(No Direct Ward Relevance)</b>
<b>11. Portfolio Holder Update - Quarterly Budget Monitoring</b>	To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the latest Finance Monitoring Report referred to the Executive Committee.  (Oral report)  <b>(No Direct Ward Relevance)</b>
<b>12. Committee Action List and Work Programme</b>  (Pages 151 - 158)	To consider the Audit, Governance and Standards Committee's Action List and Work Programme.  (Action List and Work Programme attached)  <b>(No Direct Ward Relevance)</b>

## 13. Exclusion of the Public

Should it prove necessary, in the opinion of the Chief Executive, to exclude the public from the meeting at any point during the proceedings in relation to any item(s) of business on the grounds that either exempt and/or confidential information is likely to be divulged, the following resolution(s) will be moved:

"That under Section 100 I of the Local Government Act 1972, as amended, it/they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being (*...to be specified by the Chairman at the meeting*), and that it is in the public interest to do so.", and/or

"That under Section 100 A of the Local Government Act 1972, as amended, it/they involve the likely disclosure of confidential information which would be in breach of an obligation of confidence."

**The paragraphs under Part 1 of Schedule 12A to the Act are as follows:**

**Subject to the "public interest" test, information relating to:**

- **Para 1 – any individual;**
- **Para 2 – the identity of any individual;**
- **Para 3 – financial or business affairs;**
- **Para 4 – labour relations matters;**
- **Para 5 – legal professional privilege;**
- **Para 6 – a notice, order or direction;**
- **Para 7 – the prevention, investigation or prosecution of crime**

**may need to be considered as 'exempt'.**





# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

## MINUTES

### Present:

Councillor Jane Potter (Vice-Chair, in the Chair) and Councillors Natalie Brookes (during Minute No.'s 5 to 16), Andrew Fry, Yvonne Smith and Pat Witherspoon

Dave Jones – Independent Member for Audit & Governance (non-voting co-opted member of the Committee)

### Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

### Officers:

Andy Bromage, Clare Flanagan, Jayne Pickering and Amanda de Warr

### Committee Services Officer:

Debbie Parker-Jones

### 1. APOLOGIES

Apologies for absence were received on behalf of Councillors John Fisher, Gareth Prosser and David Thain.

Councillor Yvonne Smith substituted for Councillor Fisher.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 23rd April 2015 were submitted.

.....  
Chair

# **Audit, Governance and Standards**

Committee

Thursday, 2 July 2015

---

**RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on 23rd April 2015 be confirmed as a correct record and signed by the Chair.**

**4. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

Members received a report from the Monitoring Officer outlining the current position in relation to standards regime matters.

The Deputy Monitoring Officer presented the report and the Committee noted the proposed memberships of the Standards Hearings Sub-Committees.

**RESOLVED that**

- 1) the report of the Monitoring Officer be noted: and**
- 2) the following Standards Hearings Sub-Committee memberships be approved:**

**Hearings Sub-Committee 1**

**Councillors Thain (Chair), Brookes and Fisher**

**Hearings Sub-Committee 2**

**Councillors Witherspoon (Chair), Chalk and Prosser**

**Hearings Sub-Committee 3**

**Councillors Potter (Chair), R Smith and Fry.**

**5. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME**

Officers stated that, as had been set out in the Monitoring Officer's report, Kevin White, the former Feckenham Parish Council Representative on the Committee, had stood down from the Parish Council at the 2015 Elections. Mrs Pat Dormer, the existing Deputy Parish Representative, remained a parish councillor and had been sent a copy of the papers for that evening's meeting. Mrs Dormer was not present at the meeting.



# **Audit, Governance and Standards**

Committee

Thursday, 2 July 2015

---

Officers stated that they would be liaising with the Parish Council Clerk regarding future representation on the Committee and would report back to Members on this, as appropriate.

**RESOLVED that**

**the position be noted.**

**6. LOCALISM ACT 2011 - STANDARDS REGIME - GENERAL DISPENSATIONS**

The Committee received a report which sought the re-granting of general dispensations previously granted by the former Standards Committee and, since July 2014, the Audit, Governance and Standards Committee.

The Deputy Monitoring Officer stated that all of the dispensations being sought fell within s33 (2) (a) of the Localism Act 2011, namely that it was considered that without the dispensation the number of persons prohibited from participating in the business would be so great a proportion of the body transacting the business as to impede transaction of the business.

**RESOLVED that**

- 1) subject to the caveat set out in paragraph 3.14 of the report in relation to setting the Budget, the Audit, Governance and Standards Committee grant dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering the setting of:
  - a) the Budget;**
  - b) Council Tax;**
  - c) Members' Allowances; and**
  - d) Council Rents;****
- 2) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and committees in circumstances where a member of the public may elect to speak;**
- 3) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to participate in and vote at**

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

Council and committee meetings when considering the adoption of any new/updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;

- 4) the dispensations referred to at 1), 2) and 3) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 5) the dispensations referred to at 1), 2) and 3) above be valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections in 2016.

## 7. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - ACTION LIST AND WORK PROGRAMME

### Action List

- i) Ref 1 – Development of Key Performance Indicators (KPIs)

Officers advised that they had attended a meeting of the County Client Officer Group the previous week and that they would be bringing forward revised KPIs to the next meeting of the Committee. It was noted that KPIs were consistent across Worcestershire Internal Audit Shared Services.

Action: remove item from Action List.

- ii) Ref 2 – Corporate Dashboard of Measures

Members were advised that management were currently working across the Dashboard of Measures ('the Measures'), with new performance measures being introduced as part of this. The Measures would be reported on first to the Executive Committee, which would likely be in August, and would hopefully be ready for Audit, Governance and Standards Committee consideration in September. Portfolio Holders were able to look at the measures and any Members could talk to Heads of Service if they had any queries on these.

Action: item to remain on Action List for September meeting.

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

iii) Ref 3 – Meeting start times

Members noted the proposal detailed in the Action List that the meeting start times issue be removed and that this be raised again in future should this prove necessary.

Officers stated that they would be looking to review, with the Committee Chair, the structure of what reports the Committee considered and when, with the aim of making for more meaningful meetings and consideration of the most relevant items.

Action: remove item from Action List.

iv) Ref 4 – Grant Thornton Audit Plan 2014/15 – minor IT control weaknesses

Officers stated that once the accounts had been finalised they would be speaking with the relevant Officers on the minor IT control weaknesses identified by the external auditors.

A Member stated that there were a number of items highlighted in Grant Thornton's Audit Plan 2014/15 which required chasing up. Officers stated that the external auditors would automatically follow-up on the issues raised. On being asked by Members, the external auditor commented that she thought Officers should probably also update Members on any key issues which had been identified by external audit.

Action: item to remain on Action List for an update at the September meeting.

v) Ref 5 – Finance/Debt related updates

Officers explained the various financial and debt-related updates provided in the Action List and advised that Finance were looking to have a monthly reconciliation of the suspense accounts.

Officers responded to questions from the Independent Member regarding the aged debt listing, which it was confirmed was reviewed on an ongoing basis as part of the recovery process. Officers explained that, as had previously been advised, there were some difficulties in producing meaningful debt data for Members at the present time owing to the recent change in the Council's ledger/finance system.

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

The Independent Member asked whether Officers were also looking towards debtor days rather than debtor figures. Officers stated they would need to look to what the new system could produce, which it was hoped would include data on both the duration and amount of debts. The external auditor commented that this was the type of information which the Council currently provided to Grant Thornton.

Action: remove item from Action List.

## Work Programme

As referred to under the Action List, it was noted that Officers would be reviewing with the Chair of the Committee which reports went to Committee and when. This would hopefully make for more meaningful meetings and consideration of the most relevant items.

## **RESOLVED that**

**subject to the comments detailed in the preamble above, the Committee's Action List and Work Programme be noted and the amendments and updates highlighted agreed.**

## **8. GRANT THORNTON - AUDIT FEE LETTER 2015/16**

Members were presented with the Audit Fee letter for 2015/16 from the Council's external auditors Grant Thornton and were asked to approve the level of fee.

Officers reported that the Statement of Accounts had not been submitted to the external auditors by the required 30th June 2015 deadline. The S151 Officer had had to make a decision at the deadline stage as to whether the Statement of Accounts were a fair reflection of the Council's accounts, which she had not felt to be the case. Officers undertook to submit the accounts the following week and explained the reasons which had led to the delay, which had included the loss of 2 senior accountants within the authority and a subsequent unsuccessful recruitment process for the posts.

The external auditor stated that as the Council had not met the statutory deadline for submission of the accounts, there was a risk that Grant Thornton might not be able to sign off the accounts by its 30th September 2015 deadline.

When asked about any possible repercussions in this regard the external auditor stated that, under statute, if Grant Thornton missed its deadline this could result in Value for Money qualification on the

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

accounts, which in turn could impact on the Council's profile. She added that there was no impact with the delay at this stage but that this could result in a more challenging audit.

The Independent Member queried whether any action either had been, or was due to be taken to mitigate the risk of the same thing happening again. Officers stated that they were looking at this to ensure assurances were in place to ensure there would not be any reoccurrence of this.

Members agreed that the circumstances were exceptional and that it was important for the submitted accounts to be correct and to give a true reflection of the Council's financial position.

It was noted that Grant Thornton's 2015/16 audit fee represented a £20,000 reduction in the 2014/15 fee, as a result of procurement exercises run by the Audit Commission across both the Local Government and Health sectors prior to the Commission's demise. The External Auditor commented that the fee assumed that there were no issues arising from the audit which would result in further discussions/work needing to be undertaken.

## **RESOLVED that**

**the fee be approved.**

### **9. GRANT THORNTON - UPDATE JUNE 2015**

Members received a report from Grant Thornton which provided a summary of emerging national issues and developments that might be of relevance to the Committee. The report also asked a number of challenge questions in respect of those emerging issues which the Committee might wish to consider.

The external auditor stated that no work had been undertaken on the authority's accounts since the last meeting of the Committee. As such, there was nothing to report progress-wise.

It was noted that hard copies of Grant Thornton's 'A guide to local authority accounts' publication was being sent out to all members of the Committee. This would assist Members in understanding the authority's financial statements, and included the types of challenge questions to help Members in assessing whether the financial statements gave a true and fair view of the authority's financial performance and financial position.

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

Members were advised of recent developments in relation to business rates appeals. Whilst it was hoped any such appeals would not be a major issue for the authority, owing to the timetable involved Officers had spoken with the Valuation Officer regarding businesses that they are aware of which might lodge such an appeal, provision for which had been included in the accounts.

Regarding devolution, Officers advised that a report on Combined Authorities should be referred to the Executive Committee. If opting to become a member of a combined authority the Council would continue to retain its sovereignty and funding, however such membership would allow for bigger growth and purchasing power and leverage for the community.

Finally, the external auditor referred to a Grant Thornton 'Getting Things Right: Members' Governance Training' event which was taking place at Wychavon District Council on 8th September 2015, to which all Members of the Council were invited. Officers agreed to circulate details of the event to all Members after the meeting.

## **RESOLVED that**

**Grant Thornton's report be noted.**

## **10. CORPORATE RISK REGISTER**

Members received a presentation from Officers on the Council's Draft Corporate Risk Register ('the Register') 2015/16. The Register was a joint document for both Redditch Borough Council and Bromsgrove District Council.

Officers explained that the management team had looked at the Register, with Heads of Service having considered what the most important risks were. The Register had been brought to Members in draft form in order that Members could consider whether there was anything that they wish to add to this.

A total of 6 corporate risks had been identified in the Register, namely:

- Fatality within service provision;
- Snap/poorly informed decisions made on savings/cuts;
- Financial constraints (from external sources reducing funding) have a negative impact on service delivery and/or quality;
- Partners of the Councils fail to deliver on joint working;
- Business Continuity Plans fail to operate effectively in a major emergency incident; and

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

- IT systems and infrastructure has a major failure.

For each identified risk the Register detailed:

- Cause/Effect;
- Current Mitigations;
- Inherent Risk (risk scoring);
- Actions Needed;
- Residual Risk (risk scoring);
- Risk Owner; and
- Links to Strategic Purposes.

Officers explained the methodology behind the Risk Scoring Matrix which reflected both Councils' appetite/tolerance to risk. Members heard that risk tolerance should be reviewed at least annually as part of the formal refresh of risk management. There were three risk classifications (low, medium and high), which were based on the impact and likelihood values given to each risk. These were reflected as 'RAG' ratings; Red for High risks, Amber for Medium and Green for Low.

High risks required immediate attention and should be regularly monitored for change and to ensure agreed actions were being completed. Medium risks should be monitored and, if deemed necessary, further action taken to reduce the impact and/or likelihood of the risk. Low risks should concentrate on obtaining assurance on those controls in place that were reducing the risk, with no additional action being necessary with low risks.

Officers spoke on each of the identified risks and their associated risk ratings. The majority of the risks had been adjudged medium risks in terms of their inherent and residual risks scores. Financial constraints was deemed to be a high inherent and residual risk, with partners failing to deliver on joint-working also being a high inherent risk. Officers advised that financial constraints would remain a high risk until the accounts had been submitted to the external auditors the following week. Departmental Risk Registers were also in place, which again were RAG rated, and actions plans were in place to address all identified risks.

Some of the current risk issues included:

- Officers not being able to provide Members with data as to the levels to which people were using some of the Council's services and the benefits of those services to the community, together with evidence as to how services were affecting the public (i.e. the 'whole life cost' of what the Council does); and

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

- Heads of Service being accountable for their budgets, with more data being needed to reflect links between the performance of the authority against budgets.

One issue which had been flagged up to the S151 Officer as a possible corporate risk related to the accounts and corporate fraud including procurement fraud. Officers would be looking at whether there was anything they should be looking at in these areas following the impending changes to the Benefits Fraud system.

By way of an update, Mr Dave Jones, the Committee's Independent Member for Audit and Governance matters and one of the Committee's Lead Risk Members, had met with the Section 151 Officer to discuss various risk issues and the Corporate Risk Register. He stated that work would be ongoing to see where the Council could add value and promote growth in services, together with helping Officers to understand the linking of risks to the Council's Strategic Purposes.

A Member queried whether data protection was sufficiently covered within the relevant risk register(s), which Officers agreed to check and report back to Members on.

Officers advised that the current Corporate Risk Register was more focussed as the previous Register had contained approximately 16 risks. The Register would now go back to the management team, with the addition of the Accounts and Corporate/Procurement Fraud to the list of risks.

The Chair asked both internal and external audit whether they were happy with the Register. Both were content with this and the external auditor stated that the Links to Strategic Purposes column on the Register was key, in order that Officers knew where they were starting from and what the overall aim was in achieving their priorities. Mitigations, and what Officers were doing to address identified risks, were also seen as crucial. Internal audit commented that the Register was not about identifying issues but was instead about looking at key risks, which tied in well with internal audit's work.

**RESOLVED that**

**the Corporate Risk Register presentation and associated update from the Independent Member and be noted.**



# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

**11. GENERAL RISK MONITORING AND REPORTING AND APPOINTMENT OF LEAD RISK MEMBERS ON THE COMMITTEE FOR 2015/16**

It was noted that Mr Dave Jones, Independent Member and one of the Committee's Lead Risk Members, had provided his update under the previous agenda item.

Regarding the request in the agenda listing for the Committee to consider which two Lead Members it wished to appoint as the Lead Risk Members on the Committee for 2015/16, it was agreed that Mr Jones be re-appointed to this role and that the second position be considered at the next meeting of the Committee when it was hoped more members of the Committee would be present.

**RESOLVED that**

- 1) Mr Dave Jones, Independent Member, be re-appointed as one of the two Lead Risk Members on the Committee for the 2015/16 Municipal Year; and**
- 2) consideration be given to the appointment of the second Lead Risk Member position at the next meeting of the Committee.**

**12. BENEFITS INVESTIGATIONS - 1ST JANUARY 2015 TO 31ST MARCH 2015**

The Committee received a report which advised on the performance of Benefits Fraud Investigation and Housing Benefits Overpayment for the 4th quarter of 2014/15.

Officers highlighted the key elements of the report and responded to Member questions.

The investigation of Housing Benefit would transfer to the Department for Work and Pensions under the Single Fraud Investigation Service (SFIS) in February 2016. Responsibility for the investigation of Council Tax Support would remain with the Council, as would the processing of data matches received from the Housing Benefit Matching Service and National Fraud Initiative. Decisions would need to be made over the next few months on the resources that the Council would need to retain from within the team in order to continue these functions.

Small amounts on information on the new SFIS were starting to be received, although some details would not be made known until

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

nearer the transfer date. Officers hoped to give a brief presentation to Members at the September meeting on the SFIS and any known impact of the upcoming changes.

In relation to paragraph 3.5 of the report, the Independent Member queried whether there was any available data for working age people who had been in receipt of housing benefit over the preceding couple of years. Officers advised that the data for this changed daily and that there was a downward trend in the numbers. Officers agreed to provide the Committee with the requested data after the meeting and to include monthly charts for this data in future reports.

**RESOLVED that**

**the report be noted.**

**13. GENERAL FRAUD MONITORING AND REPORTING AND APPOINTMENT OF LEAD FRAUD MEMBERS ON THE COMMITTEE FOR 2015/16**

Regarding the request in the agenda listing for the Committee to consider which two Members it wished to appoint as the Lead Fraud Members on the Committee for 2015/16 it was stated that, from an Officer perspective, it would be helpful if Councillor Thain could remain in this role for continuity purposes.

As Councillor Thain had tendered his apologies for the meeting it was agreed that, subject to Councillor Thain's confirmation that he was happy to continue in this role, he be re-appointed as one of the Committee's Lead Fraud Members for the year ahead.

As with the appointment of the second Lead Risk Member earlier in the meeting, it was agreed that consideration be given to the second Lead Fraud Member position at the meeting in September, when it was hoped more members of the Committee would be present.

**RESOLVED that**

- 1) subject to Councillor Thain's confirmation of his being willing to continue as one of the two Lead Fraud Members on the Committee, Councillor Thain be re-appointed to this role for the 2015/16 Municipal Year; and**

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

- 2) consideration be given to the appointment of the second Lead Fraud Member position at the next meeting of the Committee.

## 14. INTERNAL AUDIT - ANNUAL REPORT 2014/15

Members were presented with the Internal Audit Annual Report for 2014/15 and the Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment for the same period.

Officers highlighted the key elements of the report and responded to Member questions.

Based on the audits performed during 2014/15 in accordance with the audit plan, the Internal Audit Manager had concluded that the internal control arrangements during 2014/15 effectively managed the principal risks identified in the audit plan.

Of the 29 audits that had been undertaken during the year, 23 had been completed and 6 were nearing completion. The majority of the audits had been allocated an audit assurance of either 'moderate' or above, meaning there was generally a sound system of internal control in place, no significant control issues had been encountered and no material losses had been identified during what had been a time of significant transformation and change. As had previously been reported to Members, only the Golf Course had been allocated an assurance level of 'limited' and a clear action plan to address all of the recommendations and issues raised had been put in place for this.

It was noted that Worcestershire Regulatory Services (WRS) remained a high risk area in regard to reconciliations of cash and licensing fees. However it had been agreed by the WRS Management Board that options would be explored whereby all income was collected and reconciled by WRS to enable a more streamlined process in relation to cash received.

Officers explained internal audit's role as a critical friend, the main aim of which was to add value to services. An example was quoted where Officers had sought internal audit's input on how Members received information as part of the budget process.

In relation to paragraph 3.27 of the report, the Independent Member queried whether any recommendations arising from internal audit's completion of the Anti-Fraud and Corruption Survey and the further work which was completed as part of the audit programme in this

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

area would be brought to Members' attention. Officers confirmed that they would be bringing a report to Members on this in due course.

**RESOLVED that**

**the report be noted.**

## 15. ANNUAL GOVERNANCE STATEMENT 2015/16

Members' approval was sought of the draft Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2014/15.

The AGS was a statutory document which provided an overview of the governance arrangements within the Council and highlighted those areas where improvement was required.

The 6 Core Principles identified by the Chartered Institute of Public Finance and Accountancy (CIPFA), which underpinned the effective governance of all local authorities and how the authority adhered to those principles, were noted.

No performance framework details were currently included in the AGS as Officers were developing a framework for this for the Committee's September meeting. Officers would also be including details of the late submission of the authority's accounts, together with key aspects from Grant Thornton's Audit Letter and Opinion in the final AGS. Confirmation would also be added to the AGS that the Council now had a Medium Term Financial Plan in place for the years 2015/16, 2016/17 and 2017/18.

**RESOLVED that**

**subject to the additions referred to by Officers in the final paragraph of the above preamble, the Annual Governance Statement be approved for inclusion in the Statement of Accounts.**

## 16. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

In the Portfolio Holder's absence Officers provided the Portfolio Holder's update.

The following was noted:

# Audit, Governance and Standards

Committee

Thursday, 2 July 2015

---

- the Financial Outturn 2014/15 had now been completed and, subject to external audit, the Council had more than delivered the unidentified savings levels that were set of £635,000. Further details in this regard would be contained in the finance report to the July Executive Committee;
- savings had been generated from holding posts vacant whilst reviewing resource requirements against service delivery, generating more income and ensuring that expenditure had been reduced on non-essential areas where there was no impact on the delivery of services to the community;
- this had resulted in balances being increased from the previous year; and
- where possible the savings had been taken from budgets in 2015/16.

As Members were already aware it was noted that the Council had not met the 30th June deadline for submission of the 2014/15 accounts.

The Portfolio Holder had been assured by Officers that the accounts would be ready by the following Wednesday. Having spoken to the S151 Officer at length about this issue, the Portfolio Holder was in agreement with the approach taken as he believed it more important the accounts give a true and fair reflection of the Council's accounts and be slightly late, rather than a set of accounts being submitted on time that had not received any assurance. Officers would keep Members advised on progress with meeting the new submission deadline, and assurances were given to Members that the Portfolio Holder would be having a full 'lessons learnt' review with Officers to ensure the same thing did not happen the following year.

**RESOLVED that**

**the update be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.50 pm

.....  
Chair



**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**

24th September 2015

**MONITORING OFFICER'S REPORT – STANDARDS REGIME**

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A
Non-Key Decision	

**1. SUMMARY OF PROPOSALS**

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last meeting of the Committee on 2nd July 2015.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated as to any relevant standards matters.
- 1.3 Any further updates arising after publication of this report will be reported on orally by Officers at the meeting.

**2. RECOMMENDATIONS**

**The Committee is asked to RESOLVE that**

**the report of the Monitoring Officer, together with any additional updates provided by Officers at the meeting, be noted and commented upon as appropriate.**

**3. KEY ISSUES****Financial Implications**

- 3.1 There are no financial implications arising out of this report.

**Legal Implications**

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') introduced a new standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted

**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**24th September 2015

---

(with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July 2012.

**Service / Operational Implications****Member Complaints**

- 3.3 At the time of drafting this report no complaints had been received by the Monitoring Officer since the last meeting of the Committee.
- 3.4 The complaint referred to in the Monitoring Officer's July report (against a Borough Councillor relating to declarations of interest) has now been dealt with and closed.

**Member Training**

- 3.5 A session on Chaining Skills was held in July, hosted by Bromsgrove, which was attended by councillors new to the role and as a refresher for more experienced Members. The feedback was very positive and a repeat event will be held in October.
- 3.6 A number of Members attended a training event on equalities and safeguarding which was run by Council Officers. This was a "short, sharp" briefing which aimed to equip Members with knowledge of the main issues involved in both subjects. For safeguarding, Members have been given information on how to act if they have concerns arising from work in their wards.
- 3.7 Members are being offered planning pre-application training to enable those new to the Council to be involved in this process if they wish, in accordance with the pre-application policy of the Council. All Members are also being offered the opportunity to attend a briefing on finance prior to the start of the budget process, to support their participation in the decisions around this.
- 3.8 Since the last meeting there have been developments in proposals for combined authorities in the West Midlands. A briefing was arranged for all councillors to set out the background and outline the issues for Redditch to enable councillors to be informed for the debate on whether/how the Council wished to take part, at the Council meeting on 21st September.



## **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

24th September 2015

---

- 3.9 A follow-up session on the Code of Conduct and Standards was held earlier in September to enable Members who had been unable to attend the events held immediately after the elections to do so this time.

### Feckenham Parish Council Representative and Deputy Representative on the Committee

- 3.10 The Audit, Governance and Standards Committee comprises 9 elected Members (Redditch Borough Councillors), 1 Independent Member (non-voting co-opted) for the purpose of Audit and Governance matters and 1 Feckenham Parish Council Representative (also non-voting co-opted) for Standards matters. A Deputy Parish Representative is also appointed in the event they are required to substitute for the Parish Representative. The Deputy Parish Representative is encouraged to attend meetings of the Committee along with the main representative, in order for them to gain experience of how the Committee works.
- 3.11 Feckenham Parish Councillor Alan Smith, Chair of the Parish Council, has been appointed the new Parish Council Representative on the Committee. Parish Councillor Slade Arthur has been appointed as the Deputy Parish Council Representative. Both have been invited to attend the September meeting and both attended a Code of Conduct and Standards training session conducted by the Monitoring Officer's team in June.

### Customer / Equalities and Diversity Implications

- 3.12 There are no direct implications arising out of this report. Any process for managing standards of behaviour for elected and co-opted councillors must be accessible to the public. Details of the process for Member complaints are available from the Monitoring Officer on request.

## **4. RISK MANAGEMENT**

The main risks associated with the details included in this report are:

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

## **5. APPENDICES**

None

**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**24th September 2015

---

**6. BACKGROUND PAPERS**

Chapter 7 of the Localism Act 2011.

Confidential complaint papers.

Various reports to, and minutes of, Council and Committee meetings, as detailed in the report.

**AUTHOR OF REPORT**

Name: Debbie Parker-Jones

Email: [d.parkerjones@redditchandbromsgrove.gov.uk](mailto:d.parkerjones@redditchandbromsgrove.gov.uk)

Tel: 01527 881411

**STATEMENT OF ACCOUNTS 2014/15**

Relevant Portfolio Holder	John Fisher – Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable Members to Approve the Statement of Accounts 2014/15.

**2. RECOMMENDATIONS**

- 2.1 That Committee **APPROVES** the Accounting Policies as detailed in note 1 of the Statement of Accounts 2014/15 in Appendix 1.
- 2.2 That Committee **APPROVES** the Statement of Accounts 2014/15.
- 2.3 That Committee delegates any authorisation of any further changes to the Statement of Accounts after this meeting to the Chair, Portfolio Holder and S151 Officer.

**3. KEY ISSUES****Financial Implications**

- 3.1 None other than those included in this report.

**Legal Implications**

- 3.2 The Accounts and Audit Regulations 2011 require that the Council complies with statutory accounting legislation and changes.

**Service / Operational Implications**

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources on 13<sup>th</sup> July 2015 and submitted to the External Auditors Grant Thornton on the same day. This meant that the Council was late in submitting the Accounts in line with the 30<sup>th</sup> June 2015 statutory deadline.
- 3.4 It is worth reminding Members as to the circumstances that were identified by the officers and agreed by Auditors that have led to the issues surrounding the Accounts. These included:

- Upgrade to existing financial ledger and implementation of a new Sales Ledger and cash receipting system
- Restructure of the finance team, turnover of staff and difficulties in recruiting to vacant senior posts

3.5 The Financial Statements have been audited by Grant Thornton and there are a number of recommendations that have been highlighted that require addressing for 2015/16 closedown to ensure that working papers are improved, adequate systems and resources in place and timelines are achieved. The S151 Officer is currently developing a plan to ensure the Accounts for 2015/16 are delivered against in a more effective and quality controlled framework. The Grant Thornton audit opinion is included as an agenda item to this meeting.

Included within the Statement of Accounts, there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

#### 3.5.1 Movement in Reserves Statement

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

#### 3.5.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### 3.5.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of

the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### 3.5.4 The Cash Flow Statement

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

### **3.6 The Supplementary Financial Statements:**

#### 3.6.1 The Housing Revenue Account Income and Expenditure Statement

The HRA Income & Expenditure Account records the obligations to account separately for the cost of the landlord role in respect of the provision of Council housing.

#### 3.6.2 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes), the General Fund and the NNDR Pool. It is a statutory requirement for billing authorities to maintain this account.

**3.7 Financial Summary****3.7.1 General Fund Revenue Account**

At its meeting on 24th February 2014 Redditch Borough Council set a budget of £10.135m (including planned transfers to earmarked reserves). There was no planned use of General Fund balances. Band D equivalent Council Tax (for Redditch) was set at £213.16 an increase of 1.9% on previous year.

During the year, an underspend resulted in the contribution to balances of £819k. The Council's general fund balances increased from £1.166m to £1.985m as a result. Additionally the Council has set aside resources to fund future expected payments. Details of individual earmarked reserves can be found in the notes to these financial statements.

**3.8 Customer / Equalities and Diversity Implications**

None as a direct result of this report.

**4. RISK MANAGEMENT**

- 4.1 The Corporate Risk register includes the delivery of a balanced and well managed budget and there is a clear and robust timetable of actions prepared and monitored by the S151 officer during the final accounts process to ensure complaint accounts are prepared...

**5. APPENDICES**

Appendix 1 – Redditch Borough Council Statement of Accounts  
2014/15

**AUTHOR OF REPORT**

Name: Sam Morgan – Financial Services Manager  
E Mail: [sam.morgan@bromsgroveandredditch.gov.uk](mailto:sam.morgan@bromsgroveandredditch.gov.uk)  
Tel: 01527-64252 extn 3790

# Redditch Borough Council

## Financial Statements

### FOR THE YEAR ENDED 31 MARCH 2015

Description	Page Number
Message from the Leader of Redditch Borough Council	3
Annual Governance Statement	4-7
Explanatory Foreword	8-10
 <b><i>The Core Financial Statements</i></b>	
Movement in Reserves Statement	11
Comprehensive Income and Expenditure Statement	12
Balance Sheet	13
Cash Flow Statement	14
 <b><i>Notes to the Core Financial Statements</i></b>	
1 Accounting Policies	15-25
2 Accounting Standards	26
3 Critical Judgements	27
4 Notes to financial statements	28
5 Material items of income and expense	29
6 Events after reporting period	29
7 Adjustment between accounting and funding bases	30-31
8 Earmarked Reserves	32
9 Other Operating Expenditure	33
10 Financing and Investment income	34-35
11 Taxation and NSG Income	36-37
12 PPE	38-39
13 Heritage Assets	40
14 Investment Property	41
15 Intangibles	42
16 Financial Instruments	43
17 Inventories	44
18 Debtors	44
19 Cash and Cash Equivalents	44
20 Assets held for sale	45
21 Creditors	46
22 Provisions	47
23 Usable Reserves	48-51
24 Unusable Reserves	52-57
25 Cash flow - Operating Activities	58
26 Cash flow - Investing Activities	59
27 Cash flow - financing Activities	59
28 Resource Allocation	60-61
29 Members Allowances	62
30 Employee Remuneration	62-63
31 External Audit Costs	63
32 Grant Income	64
33 Related Parties	65
34 Capital Expenditure and Capital Financing	66-67

35 Leases	68
36 Impairment Losses	69
37 DB Pensions	70-73
38 Contingencies	74
39 Risk arising from financial instruments	75-76
40 Trust Funds	77
HRA Income & Expenditure Account	78
Movement on HRA Statement	79-80
HRA Non Current Assets	81-82
Notes to the Housing Revenue Account	83-84
Collection Fund	85
Notes to the Collection Fund Account	86
Statement of Responsibilities	87
Glossary	88-94



**Redditch Borough Council  
Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015**

**1. A word from Council Leader Bill Hartnett**

The last year has been difficult and the economic climate doesn't look like it's going to improve any time soon. Whilst our innovative thinking means we're in a better position than many other councils, there are still obstacles to overcome.

Sharing our services with Bromsgrove District Council seven years ago has left us in a stronger position to deal with such troubling economic times but we still have a way to go. However, we continue to remain positive and make savings wherever possible so that we can carry on celebrating the very best of Redditch. We have developed Strategic Purposes that will focus our delivery on customer needs and are working closely with our stakeholders to ensure we address all issues facing our community. Transformation puts our customers at the heart of everything we do. We now have teams that focus on local areas with the aim to get a greater link with our community and address local issues that people need addressing.

Our focus on successfully working with partners and other organisations, such as the Place Partnership and the recently re structured economic theme group which is now drawn from elected members, business leaders, voluntary and the higher Education sectors we work together, share ideas to make Economic improvements and build the skills base as well as sharing and understanding the different organisations needs and constraints, this group can feed into the council and Both LEPs.

The council will explore the options around joining a Combined Authority with the West Midlands and or Worcestershire and will work with all our stakeholders to ensure that the Connecting Families work is successful in delivering support to our residents.

I am more determined than ever that the bleak financial position of our nation will not affect our customers. This council will continue to deliver the best services possible, with more efficiency and with our customers in mind by making savings, working with partners and most importantly listening to the needs of our residents. I truly believe that they should not have to pay the price for the cuts to our funding.

Whilst it is important for all of us to tighten our belts in the current situation, it is also important that we do not lose what it means to be a part of the Redditch Community. We will continue to host community events, commemorate the past and celebrate the achievements of our town past and present; all in a bid to help us build a better future.

Bill Hartnett, Leader of the Council

**Redditch Borough Council  
Draft Annual Governance Statement  
2014/15**

**1. Scope and responsibility**

Redditch Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

**2. The purpose of the governance framework**

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks 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 the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

Redditch Borough Council 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 Members, Executive Directors, Heads of Service and other managers of the Council, who have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and, by the external auditors and other review agencies and inspectorates.

**3. The governance framework**

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles of corporate governance that underpin the effective governance of all local authorities. Redditch Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

**Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Medium Term Financial Plan for the three financial years 2015-16 to 2017-18.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- The residents magazine "Redditch Matters" is available online 3 times per year
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Executive, Overview and Scrutiny and Full
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

**Core Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Boards operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/Officers delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training.
- Overarching legal agreement between Redditch Borough Council and Bromsgrove District Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services.

**Core Principle 3: promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The Council's priorities and aims clearly demonstrate its vision and values
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committees

**Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk**

- There is an established and effective Overview and Scrutiny Committee
- There is an established and effective, Audit Governance and Standards Committee to advise Council on the effectiveness of Internal Control arrangements
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to Members in making informed decisions.
- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2014/15 Overview and Scrutiny undertook pre-scrutiny of :

- Medium Term Financial Plan 2015/16-2017/18
- Review of Fees and Charges Proposed 2015/16

- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2014/15:

- Abbey Stadium Task Group (completed June 2014).
- Joint WRS Scrutiny Task Group (completed June 2014).
- Football Provision Task Group (completed September 2014).
- Proposals for Change by Tudor Grange Academy Short, Sharp Review (completed November 2014).
- Tackling Obesity Task Group (completed March 2015).
- Provision of support Networks for the LGBT Community Task Group (launched December 2014 and due to be completed July 2015).

- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team

- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
  - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual
  - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
- A whistle blowing policy is in place and available on the Council's website, and the Fraud Strategy will be updated during 2015-16
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's services

**Core Principle 5: developing the capacity and capability of members and officers to be effective**

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service
- The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff have the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Members
- A managers conference takes place every 2 years to develop managers understanding of new initiatives ( transformation )
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services.

**Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability**

- The Council has an Inclusive Equalities Scheme, operates an Equalities and Diversity Forum and Disabled Users' Forum, holds an annual equalities conference and supports the community events that are funded via the forum budget considerations
- The Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to support the Compact
- Surveys are conducted on the Council's website, at the Customer Service Centre and resident feedback is obtained at Council events ( e.g. summer events at local parks)
- Committee, Executive and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications e.g. Annual Report, residents' magazine.
- Customer complaints are tracked and monitored and actions reported to residents via the website.

**4. Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by senior and fourth tier managers, with the s151 officer informing the Executive of any significant matters warranting their attention.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectors.

Internal Audit

Redditch has a responsibility for maintaining an effective internal audit function which is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit Services Team has been in place since June 2010 and 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. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit and Governance Committee receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

External auditors and other review agencies/inspectories

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit

**5. Significant governance and internal control issues**

The accounts were submitted 13th July 2015, after the statutory deadline of 30th June. The delay was mainly due to issues arising from the implementation of the General Ledger.

An issue has been identified in relation to compliance with gas safety regulations, and the monitoring of contract performance in relation to same, as a result of which the Authority has ascertained that approximately 800 gas safety certificates had not been renewed within the required 12 month timescale. This breach of regulations has the potential to expose the Authority to additional costs in terms of rectifying the position and also as a result of any enforcement action taken by the relevant statutory authorities.

During 2014/15a total of 4 complaints made to the Audit Governance and Standards Committee of alleged breaches of the Code of Conduct.

The review of Redditch's system of governance and internal control has identified the following weaknesses. There have been a number of issues following the implementation of an upgrade to the Financial Management System that has caused a delay in reconciliations being completed. These have now been completed upto date and will be maintained on a monthly/quarterly basis. During the financial year 2 Audit Reports received Limited Assurance, These reports were regarding the Golf Course and Worcestershire Regulatory Services (Draft). Additional work is being carried out with the managers of these areas to implement an action plan of improvements.

The External Audit Annual Governance Statement and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include (with current actions on each issue):-

- The Council does not have a reliable Medium Term Financial Plan. A Three Year Financial Plan has been developed with Heads of Service and Members for the years 2015/16, 2016/17, 2017/18. This will be updated annually and progress monitored quarterly by Members.

**Councillor David Thain**  
**Chair of Audit & Governance Committee**  
**XX September 2015**

**Kevin Dicks**  
**Chief Executive**  
**XX September 2015**

## Redditch Borough Council Financial Statements

### FOR THE YEAR ENDED 31 MARCH 2015 Explanatory Foreword

#### 1. The Accounting Statements

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2015. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The accounting statements included in the accounts are listed below along with an explanation of their purpose:

#### **Movement in Reserves Statement**

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

#### **Comprehensive Income and Expenditure Statement**

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

#### **Balance Sheet**

This 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 is usable reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### **Cash Flow Statement**

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

#### **Notes to the Accounts**

The notes provide more detail about the items contained in the key financial statements, the Council's Accounting Policies and other information to aid the understanding of the financial statements.

#### **Housing Revenue Account (HRA) Income & Expenditure Account**

This records the Council's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Council housing.

#### **Collection Fund**

The Collection Fund summarises the income received from local taxpayers and business ratepayers. It also shows how the income was distributed to this council, the county council, the parish council, and the police and fire authorities.

#### 2. Review of the Financial Year

##### **General Fund**

The following table details the Council's final net revenue expenditure analysed by Service. This reflects the net amount to be met by local taxpayers

Service	Revised Budget	Actual spend	Variance
	2014 /15	2014-15	
	£'000	£'000	£'000
Business Transformation	1,780	1,628	-152
Community Services	1,581	1,509	-72
Corporate Services	855	816	-38
Customer Access & Financial Support	1,781	1,395	-386
Environmental Services	2,507	2,297	-210
Finance & Resources	864	909	45
Housing Services (GF)	1,064	928	-136
Legal & Democratic Services	821	614	-207
Leisure & Cultural Services	2,483	2,591	108
Planning and Regeneration	662	540	-123
Regulatory Services	398	361	-38
<b>Service Total</b>	<b>14,796</b>	<b>13,588</b>	<b>-1,208</b>
Unidentified Savings	-635	0	635
<b>Grand Total</b>	<b>14,161</b>	<b>13,588</b>	<b>-573</b>
Adjusted for Recharges	-3,962	-3,492	470
	10,199	10,096	-103
<b>Funded by:</b>			
Financing	1,647	1,538	-109
CT/NDR/Grant income	-10,211	-10,362	-151
Other	-599	-1,047	-448
Use of Earmarked Reserves	-1,036	-1,044	-8
Transfer to Reserves	0	-819	-819

#### Financial Commentary:

The successful achievement of the £635k of unidentified savings has been challenging to budget holders this financial year. Officers have ensured that services have been maintained and improved where possible whilst reducing expenditure on non essential items, holding vacancies open and increasing income where possible.

The delivered savings have included:

- Provision of priority training to ensure staff are aware of legislative and statutory responsibilities and therefore saving on the non essential generic training
- Holding manager posts vacant to deliver savings and to mitigate the impact of redundancies
- Previously unforeseen income ( eg Pension refunds from Early Help) that reduced the cost of services
- Additional grant income being received ( New Burdens)
- Additional Income for bereavement services and Land Searches
- Savings on Election costs

The savings are partially offset by the effect of the shortfalls in income within Leisure Services. This is due to a reduction in membership at the gym together with additional business rate and additional staffing costs to provide appropriate levels of cover.

Further savings were also achieved in Pension Fund costs (other) and also a budget for a Business Rate Levy that was not required. There are also additional savings on Financing costs due to the current interest rates and a review of the current way of calculating interest.

#### Comprehensive Income and Expenditure Statement

There were two changes during 2014/15 which have had an impact on the Service Expenditure within the Comprehensive Income and Expenditure Statement (CIES). There are several Business Centres Operated by the Council these have been classed previously as Investment Properties, the Council has reviewed all investment Properties held to ensure that they are solely held for that purpose, in doing this it was decided that the main purpose for holding these properties was not for investment but for the Economic Development of the local area.

During 2014/15 Redditch Borough Council successfully won a contract to operate the Bromsgrove Early Help, this is funded by Worcestershire County Council. This involved the TUPE transfer of a number of staff and also an increase in the annual budget of income and expenditure. Both these changes are reflected in the Planning Services line of the CIES.

### Capital Projects

Capital Expenditure on major projects supporting the General Fund was £1.433m showing an underspend of £3.862m from the estimated budget. This was mainly due to a hold on the purchase of replacement fleet and plant whilst the review of Environmental Services was being undertaken to ensure the needs of the "place" was taken into account when decisions were being made on replacement kit. The expenditure is due to take place in 2015/16.

### Housing Revenue Account (HRA)

The Housing Revenue Account is a self-financing ring fenced account which will retain and use rental income to meet all its management, maintenance and capital commitments. The Council has created a 30 year business plan which covers the cost of borrowing and the proposed capital spend over the period to maintain the Council homes at Decent Homes Standard. The Council budgeted and contributed £3.1 million to an earmarked reserve for contribution towards the capital programme and to repay debt. The expenditure of £21.7m was funded by rents and other receipts of £25.1m with the surplus being used to fund the transfer to reserves as detailed above.

### Borrowing

The Council satisfies its borrowing requirement by securing external loans. The Council is taking advantage of the current low interest rates available and borrowing short term where any requirements occur, although it does hold an existing long term loan. This is reviewed on a regular basis to ensure the Council is receiving the best interest rates available to it.

### Investments

All investments are made in accordance with the Treasury Management Policy; this is aimed to achieve optimum return on investments while limiting any risk to the Council. The Council considers the credit rating of a financial institution before deciding whether it is appropriate to invest and the amount of funds and period of investment. No investments are made outside the UK. The Council will not invest more than £2.5million with any financial institution.

### Corporate Governance

The Council's governance arrangements are detailed within the Annual Governance Statement which accompanies the Financial Statements.

### Shared Services

The Council has continued to work with Bromsgrove District Council to develop shared services. This has created savings as well as resilience. There are also some shared services across Worcestershire and also North Worcestershire.

### Economic Outlook

The Council has managed savings over the last few years in recognition of the economic climate. Officers have ensured that areas of non essential expenditure are limited and procurement advice and support has been fundamental to achieving savings through renegotiation of contracts. Where possible vacancies have been held open unless there is an urgent need for the post.

Although the Council needs to look at making savings over future years it has been successful in increasing balances to £1.985m in 2014/15 which may provide financial support to fund improvements in supporting the Strategic Purposes of the organisation and identifying areas where further savings / improvements could be made. The balances have been increased with no impact on service delivery.

The Council has a projected budget gap in excess of £400k in 2016/17, and needs to work hard to challenge how deliver services now and how they can be improved and more cost effective. The Council does not have sufficient level of balances to support this gap over a number of years in the budget.

The Council has a clear statement of its purposes, it has listened to its customers and what goes on in its communities, working to these purposes will help us to understand the needs of the Borough and how together with our partners we can improve the lives of our residents, as part of this work we are looking at how we budget and preparing budgets in line with these purposes. This will help drive out waste and services that do not meet the needs of our customers.

### Accounts and Audit Regulations

The Accounts and Audit Regulations 2011 provide details on the approval and publication of the statement, detailing the requirement on authorities to ensure that the Statement of Accounts is appropriately signed. This covers the responsibilities of the responsible financial officer (who signs the Statement of Responsibilities) and a further requirement for the statement to be signed and dated by the person presiding at the committee or meeting at which the statement was approved.

### Borrowing and Funds Available

The Council had a capital financing requirement of £138.2m as at 31 March 2015.

### Events after the Reporting Date

There are no material adjusting events that have been considered after the Balance Sheet date.

### Further Information

Further information on the accounts is available from the Executive Director Finance and Corporate Resources, Redditch Borough Council, Walter Stranz Square, Redditch, B98 8AH. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is complete. The availability of the accounts for inspection is advertised in the local press. This document can also be made available in other languages and alternative formats on request from the Customer Service Centre on 01527 881288 or email [worcestershirehub@bromsgrove.gov.uk](mailto:worcestershirehub@bromsgrove.gov.uk).

**For a large print version of this document telephone 01527 881288**



# Redditch Borough Council

## Movement in Reserves Statement For the current and comparative year

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Local Tax purposes. The 'Net increase /Decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2013</b>	<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>654</b>	<b>1,510</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>
<b>Movement in reserves during the year</b>										
(Surplus) or deficit on the provision of services	(3,420)		3,022					(398)		(398)
Other Comprehensive Income and Expenditure					0			0	14,006	14,006
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,420)</b>	<b>0</b>	<b>3,022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(398)</b>	<b>14,006</b>	<b>13,608</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	3,842		692	0	864	(34)	(1,498)	3,866	(3,866)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>422</b>	<b>0</b>	<b>3,714</b>	<b>0</b>	<b>864</b>	<b>(34)</b>	<b>(1,498)</b>	<b>3,468</b>	<b>10,140</b>	<b>13,608</b>
Transfers to or from earmarked reserves	(256)	256	(3,500)	3,500				0		0
<b>(Increase)/Decrease in Year</b>	<b>166</b>	<b>256</b>	<b>214</b>	<b>3,500</b>	<b>864</b>	<b>(34)</b>	<b>(1,498)</b>	<b>3,468</b>	<b>10,140</b>	<b>13,608</b>
<b>Balance as at 31 March 2014</b>	<b>1,166</b>	<b>3,675</b>	<b>1,031</b>	<b>12,991</b>	<b>3,352</b>	<b>620</b>	<b>12</b>	<b>22,847</b>	<b>59,812</b>	<b>82,659</b>
<b>Movement in reserves during the year</b>										
(Surplus) or deficit on the provision of services	(840)		5,204					4,364		4,364
Other Comprehensive Income and Expenditure								0	(13,213)	(13,213)
<b>Total Comprehensive Income and Expenditure</b>	<b>(840)</b>	<b>0</b>	<b>5,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,364</b>	<b>(13,213)</b>	<b>(8,849)</b>
Adjustments between accounting basis & funding basis under regulations	600		(2,157)		(1,729)	188	1	(3,097)	3,097	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(240)</b>	<b>0</b>	<b>3,047</b>	<b>0</b>	<b>(1,729)</b>	<b>188</b>	<b>1</b>	<b>1,267</b>	<b>(10,116)</b>	<b>(8,849)</b>
Transfers to or from earmarked reserves	1,059	(1,059)	(3,048)	3,048				0		0
<b>(Increase)/Decrease in Year</b>	<b>819</b>	<b>(1,059)</b>	<b>(1)</b>	<b>3,048</b>	<b>(1,729)</b>	<b>188</b>	<b>1</b>	<b>1,267</b>	<b>(10,116)</b>	<b>(8,849)</b>
<b>Balance Sheet as at 31 March 2015</b>										
<b>Purchases</b>		<b>2,616</b>	<b>1,030</b>	<b>16,039</b>	<b>1,623</b>	<b>808</b>	<b>13</b>	<b>24,114</b>	<b>49,696</b>	<b>73,810</b>

# Redditch Borough Council

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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.

### Notes

	2014/15			2013/14		
	£000	£000	£000	£000	£000	£000
	Expenditure	Income	Net	Expenditure	Income	Net
Central services to the public	1,496	(725)	771	1,567	(630)	937
Cultural and related services	7,469	(3,744)	3,725	6,933	(3,795)	3,138
Environment and regulatory services	5,526	(2,230)	3,296	4,941	(1,730)	3,211
Planning Services	4,150	(2,921)	1,229	2,975	(1,663)	1,312
Highways and transport services	855	(247)	608	873	(299)	574
Local authority housing - (HRA)	14,940	(25,139)	(10,199)	17,126	(25,050)	(7,924)
Other housing services	26,858	(26,198)	660	26,561	(26,220)	341
Corporate and democratic core	2,540	(57)	2,483	2,133	(63)	2,070
Non distributed costs		(718)	(718)	533		533
<b>Cost of Services</b>	<b>63,834</b>	<b>(61,979)</b>	<b>1,855</b>	<b>63,642</b>	<b>(59,450)</b>	<b>4,192</b>
Other Operating Expenditure	9	434	434	260		260
Financing and Investment Income and Expenditure	10	4,144	(38)	4,566	1,490	6,056
Taxation and Non-Specific Grant Income and Expenditure	11	13,035	(23,794)	11,726	(21,836)	(10,110)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(4,364)</b>			<b>398</b>
Surplus or deficit on revaluation of Property, Plant and Equipment	12,13		(1,787)			(1,717)
Remeasurement of the net defined benefit liability/(asset)	24		15,000			(12,289)
<b>Other Comprehensive Income and Expenditure</b>			<b>13,213</b>			<b>(14,006)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>8,849</b>			<b>(13,608)</b>

# Redditch Borough Council

Balance Sheet as at 31 March 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve 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 in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2015 £000	31st March 2014 £000
Property, Plant & Equipment	<b>12/12a</b>	249,023	242,790
Heritage Assets	<b>13</b>	46	48
Investment Property	<b>14</b>	6,793	6,600
Intangible Assets	<b>15</b>	258	217
Long Term Debtors	<b>18</b>	1,192	1,196
<b>Long Term Assets</b>		<b>257,312</b>	<b>250,851</b>
Inventories	<b>17</b>	305	278
Short Term Debtors	<b>18</b>	6,636	6,242
Cash and Cash Equivalents	<b>19</b>	0	396
Assets held for sale	<b>20</b>	567	2,004
<b>Current Assets</b>		<b>7,508</b>	<b>8,920</b>
Cash and Cash Equivalents	<b>19</b>	(156)	0
Short Term Borrowing	<b>16</b>	(9,005)	(13,003)
Short Term Creditors	<b>21</b>	(7,672)	(6,596)
Provisions	<b>22</b>	(1,915)	(959)
<b>Current Liabilities</b>		<b>(18,748)</b>	<b>(20,558)</b>
Long Term Borrowing	<b>16</b>	(104,061)	(104,087)
Other Long Term Liabilities	<b>37</b>	(68,184)	(52,448)
Capital Grants received in advance	<b>32</b>	(17)	(17)
<b>Long Term Liabilities</b>		<b>(172,262)</b>	<b>(156,552)</b>
<b>Net Assets</b>		<b>73,810</b>	<b>82,661</b>
Usable reserves	<b>23</b>	24,114	22,847
Unusable Reserves	<b>24</b>	49,696	59,812
<b>Total Reserves</b>		<b>73,810</b>	<b>82,659</b>

## Redditch Borough Council

### Cash Flow Statement at 31 March 2015

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

	Notes	2014/15 £000	2013/14 £000
<b>Net surplus or (deficit) on the provision of services</b>		(4,364)	398
Adjustment to surplus or deficit on the provision of services for non-cash movements		(9,377)	(12,370)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,261	2,266
<b>Net cash flows from Operating Activities</b>	<b>25</b>	<b>(10,480)</b>	<b>(9,706)</b>
<b>Investing Activities</b>	<b>26</b>	<b>7,098</b>	<b>5,705</b>
<b>Financing Activities</b>	<b>27</b>	<b>3,934</b>	<b>5,449</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>552</b>	<b>1,448</b>
Cash and cash equivalents at the beginning of the reporting period		(396)	(1,844)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>156</b>	<b>(396)</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### 1A Accounting Policies

#### General Principles

##### 1. Accounting policies

###### 1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* and the *Service Reporting Code of Practice 2014/15*, 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.

###### 1.2 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will follow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.

###### 1.3 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.

Purchases

Unusable Reserves

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 Council's cash management.

###### 1.4 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 they can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute 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 for the difference between the two.

### **1.5 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. An accrual is made for the cost of holiday entitlements 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 entitlements are charged to revenue in the financial year in which the absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council 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. They 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 Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions 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 Council are members of the Local Government Pensions Scheme, administered by Worcestershire County Council.

The scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees working for the Council.

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

- The liabilities of the Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using 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 4.32% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors)

- The assets of Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities –current bid price
- Unquoted securities –professional estimate
- Unitised securities- current bid price

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

*Service cost comprising:*

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net interest on the net defined benefit liability i.e. net interest expense for the Council – 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 in 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

*Re-measurements 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.

**Total Rent Arrears**

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund 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 Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any such amounts payable but unpaid at the year end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

### **1.6 Events after the reporting period**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

### **1.7 Exceptional items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **1.8 Financial instruments**

#### **Financial Liabilities**

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial Assets are classified into two types:

*Loans and receivables* –assets that have fixed or determinable payments but are not quoted in an active market

*Available for sale assets* –assets that have a quoted market price and/or do not have fixed or determinable payments.

#### *Loans and receivables*

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

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

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

#### *Available for sale assets*

The Council has no available for sale financial assets.

### **1.9 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 Council when there is reasonable assurance that the Council will comply with conditions attached and the grants or contributions will be received.

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

Monies advanced as grants are 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 Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **1.10 Heritage assets**

The Council annually reviews its assets to identify any heritage assets held. While a number of assets were identified as heritage assets these have not been included in the Balance Sheet. The assets could not be valued as, because of their diverse nature, cost or valuation information is not available as conventional approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining valuations for these items would be disproportionate in terms of the benefit derived.

The Council has reclassified Forge Mill as a heritage asset. This was previously classed as an operational asset as it was considered that the visitors centre and the forge mill building provided the function of one of the services of the Council. The visitors centre continues to be classed as an operational asset but the Forge Mill itself has been reclassified as it is held by the Council for its contribution to knowledge and culture and, while it also provides service potential to the Council by providing educational and cultural experience to the public, it does so by means of the characteristics of the asset itself, which cannot be provided by an alternative source.



### **1.11 Intangible assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected to generate future economic benefits to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service 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 sales over £10,000) the Capital Receipts Reserve.

The useful life applied to this classification of assets is between 3-7 years.

### **1.12 Inventories and long term contracts**

Inventories are included in the Balance Sheet at the latest price paid. Some minor inventories are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that inventories should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

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

### **1.13 Investment property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on 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 proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.14 Jointly controlled assets/operations**

The Council is a partner in the Worcestershire Regulatory Shared Services Joint Committee together with Bromsgrove District Council (the host), Wyre Forest District Council, Worcester City Council, Wychavon District Council, Malvern Hills District Council and Worcestershire County Council. This partnership is a jointly controlled operation that uses the assets and resources of the partner authorities without the establishment of a separate entity. Under this arrangement each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

### **1.15 Leases**

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

#### **The Council 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 Council 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 incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down a 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 Council at the end of the lease period).

The Council 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.

#### **Operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as a cost to the services benefiting from the use of the lease property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

#### ***The Council as lessor***

##### **Finance leases**

Where the Council grants a finance lease over a property, 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 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 Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor
- 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 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,

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 Council grants an operating lease over property, 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.

### **1.16 Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure.

**1.17 Prior period adjustments, changes in accounting policies and estimates & errors**

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

Changes in accounting policies are only made when required by proper accounting practices or if the change provides more reliable or relevant information about the Council's financial position or performance. Changes are applied retrospectively (unless stated otherwise) with an additional Balance Sheet presented at the beginning of the earliest comparative period.

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

**1.18 Property, plant and equipment**

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

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 (e.g. 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 for its intended use

The Council does not capitalise borrowing cost incurred whilst assets are under construction.

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

- Infrastructure assets and community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing(EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value –EUV)

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

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of 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 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 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 has been impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of 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 in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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 life. Depreciation is calculated on the following bases:-

- Dwellings – the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.
- Other buildings- straight line allocation over the useful life of the property as estimated by the valuer and is between 5-50 years.
- Vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer and is between 2-15 years.
- Infrastructure – straight line allocation up to 40 years.

**Componentisation**

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. The Council has established a threshold of £1 million for determining whether an asset needs to be componentised and a component value of more than 20% of the total asset value to determine if part of an asset is considered as a component.

**Revaluation**

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

**Disposals and Non-Current Assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of 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 is credited to the Capital Receipts Reserve, and can then only be used for new investment or set aside to reduce the Council'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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statements.

#### **Residual values**

Where assets are held past their estimated useful life their residual values are usually immaterial or below the £10,000 de minimus level for inclusion on the Balance Sheet. Where an asset has reached the end of its estimated life and is still used, its value is reviewed to confirm that its value is immaterial. This is done annually at the end of the accounting year.

#### **De minimus capital expenditure**

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register. De minimus assets financed from capital resources are written off to the service in the year that expenditure is incurred. Credits are made from the Capital Adjustment Account to ensure the written down assets do not have an impact on Council Tax.

### **1.19 Provisions, contingent liabilities and contingent assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made for the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking account of the 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 the transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council makes a provision for third party insurance claims that could eventually result in the making of a settlement or the payment of compensation. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### **Contingent liabilities**

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

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.

**1.20 Reserves**

The Council 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 the 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, employee and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**1.21 Revenue expenditure funded from capital under statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year has been written off as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the Council has determined to meet the cost of the Revenue expenditure funded from capital under statute from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement so there is no impact on the level of council tax.

**1.22 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 Redditch Borough Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Redditch Borough 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 with Bromsgrove District Council, all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the authority that purchased the asset only.

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

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

Where support services are fully recharged across direct services a review of these has been undertaken. On doing this, it has been established that currently no internal recharges are to be charged to/from Redditch Borough Council with the exception of accommodation in one area. The work has shown that as Services become shared each authority is already paying its full share of internal recharges within the splits of the live shared services. Services that were not shared during this period have been looked at by each authority and Redditch Borough Council is already paying its share of all support services.

Shared Services	Host Council	Basis of split
ICT/Business Transformation	Bromsgrove District	Redditch 50% Bromsgrove 50%
Elections/Electoral Registration	Bromsgrove District	Redditch 46.5% Bromsgrove 53.3%
Building Control	Bromsgrove District	Based on existing budget split
Policy, Performance & Communication	Bromsgrove District	Redditch 50% Bromsgrove 50%
Land Charges	Bromsgrove District	Redditch 40% Bromsgrove 60%
Internal Audit	Worcester City	Redditch 63% Bromsgrove 37%
Bromsgrove Community Safety	Redditch Borough	100% Bromsgrove
North Worcestershire Regeneration	Wyre Forest District	Service level agreement
Payroll	Redditch Borough	Payroll numbers
Climate Change	Redditch Borough	Redditch 50% Bromsgrove 50%
Directorate Support	Redditch Borough	Agreed support work
Land Drainage	Wyre Forest District	Based on existing budget split
Legal & Committee Services	Bromsgrove District	Redditch 50% Bromsgrove 50%
Leisure Services	Redditch Borough	Various dependent on facility
CCTV/Lifeline	Redditch Borough	Redditch 60% Bromsgrove 40%
Post Room	Redditch Borough	Redditch 75% Bromsgrove 25%
Financial Services	Redditch Borough	Redditch 63% Bromsgrove 37%
Human Resources	Redditch Borough	Redditch 65% Bromsgrove 35%
Revenue Services	Redditch Borough	Redditch 56% Bromsgrove 44%
Customer Services	Redditch Borough	Management only 50/50%
Strategic Housing	Bromsgrove District	Redditch 50% Bromsgrove 50%
Environmental Services Management	Bromsgrove District	Redditch 50% Bromsgrove 50%
Management Team	Joint Redditch & Bromsgrove	Redditch 50% Bromsgrove 50% (Housing 100% Redditch)

### 1.23 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.

### 1.24 Local taxation

#### Accounting for Council Tax

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (Worcestershire County Council, West Mercia Police and Crime Commissioner, and Hereford and Worcester Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Redditch Borough Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

#### Accounting for Collection of National Non-Domestic Rates (NNDR)

From 1<sup>st</sup> April 2013, the treatment of NNDR changed as Government legislation localised a proportion (40%) to the Council. In accounting terms from 1<sup>st</sup> April 2013, Redditch Borough Council collects NNDR partly as an agent of central government, Worcestershire County Council and of the Fire and Rescue Authority, and partly on its own account. As with council tax, the cash collected belongs proportionately to Redditch Borough Council as the billing authority and to Worcestershire County Council, central government and the Fire and Rescue Service as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

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

Paragraph 3.3.2.13 of the 2014/15 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2015/16 Code that are relevant to the requirements of paragraph 3.3.4.3 are:

- IFRS 13 *Fair Value Measurement* (May 2011);
- *Annual Improvements to IFRSs (2011 – 2013 Cycle)* – see next paragraph for further details;
- IFRIC 21 *Levies*.

The issues included in the *Annual Improvements to IFRSs 2011 – 2013* cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

It is not considered that the impact of these changes in accounting policy will have a material impact.



# Redditch Borough Council

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

### Note 3 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has made a provision for business rates appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.

The Council also has a number of non-statutory services, these are costly to the authority, should the Council decide to only run statutory services, this would not only reduce the costs of these direct services but also impact on the back office enabling services.

The Council has reserved £100,000 for the potential settlement of claims arising from a class action for the recovery of personal search fees. The reserve is based on the claims lodged to date plus costs and interest as notified to the Council by the Local Government Association and solicitors acting on their behalf.

If the courts rule that the charges were unlawful the Council could be liable for the repayment of personal search fees dating back to the implementation of the Environmental Information Regulations (January 2005).

Other Local Authorities have been subject to equal pay claims.

Should any claims arise against the authority the Council would use the ability to fund equal pay claims from capital receipts

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 4

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council buildings (excluding Council dwellings) would increase by £16,000 for every year that useful lives had to be reduced.
Provisions for business rates	Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals lodged on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.	Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Council's share of the provision required by £143k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.
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 effects on the net pension liability of changes in individual assumptions can be measured.  The actuary provides additional sensitivity analysis information to assist measurement. These are outlined in note 38 Defined Benefit Pension Schemes
Arrears	At 31st March 2015 the Council had sundry debtor balances of £0.9million and Housing Benefit debt of £0.9million. Provisions for bad debt are made according to age of debt and past experience and a provision of £0.5million is in place in respect of these balances.  HRA debt amounted to £1.24million with a provision of £0.48million,  The Council's share of collection fund debtors was £1.4million at the year end with a provision of £0.8million  In the current economic climate it is not certain that these allowances would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of the doubtful sundry debts would require a further £0.5million to be set aside.  A doubling of the amount of the impairment of the HRA debts would require a further £0.5million to be set aside.  The provision for collection fund arrears covers 90% of the debt so no significant risk of material adjustment exists.
Earmarked Reserves	The Council has reserved £100,000 for the potential settlement of claims arising from a class action for the recovery of personal search fees. The reserve is based on the claims lodged to date plus costs and interest as notified to the Council by the Local Government Association and solicitors acting on their behalf.	If the courts rule that the charges were unlawful the Council could be liable for the repayment of personal search fees dating back to the implementation of the Environmental Information Regulations (January 2005).

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

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

There are no material items of income and expenditure during 2014/15.

### **Note 6 Events after the Reporting Period**

A decision by the Upper Tribunal (Lands Chamber) relating to the valuation of GP Surgeries has resulted in an amendment to the provision for Business Rates appeals.

In light of this the provision was increased by £0.8m of which Redditch's share was £0.3m.

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 7 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.

2014/15	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	1,228	5,999				(7,227)
Revaluation losses on Property Plant and Equipment	323	(1,509)				1,186
Movements in the Fair Value of Investment Properties	(1,495)	0				1,495
Amortisation of Intangible Assets	89	0				(89)
Capital grants and contributions applied	(548)	0				548
Revenue expenditure funded from capital under statute	514	0				(514)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,437	1,458				(2,895)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory Provision for the Financing of Capital Investment	(964)	0				964
Capital expenditure charged against the General Fund and HRA balances	(54)	(387)				441
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(220)	0			220	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,198)	(2,063)	3,261			
Use of the Capital Receipts Reserve to finance new capital expenditure			(4,267)			4,267
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	53	(53)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	696		(696)			
Transfer to deferred capital receipts reserve upon receipt of cash			26			(26)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(47)	0				47
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance/ adjustment for depreciation charge to the HRA bottom line		(5,999)		5,999		
Use of the Major Repairs Reserve to finance new capital expenditure				(5,998)		5,998
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,764	1,812				(4,576)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,319)	(1,521)				3,840
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	395					(395)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	0				1
<b>Total Adjustments</b>	<b>600</b>	<b>(2,157)</b>	<b>(1,729)</b>	<b>1</b>	<b>188</b>	<b>3,097</b>

2013/14	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	1,248	5,978				(7,226)
Revaluation losses on Property Plant and Equipment	93	1,073				(1,166)
Movements in the Fair Value of Investment Properties	(107)	0				107
Amortisation of Intangible Assets	91	0				(91)
Capital grants and contributions applied	(409)	0				409
Revenue expenditure funded from capital under statute	422	0				(422)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	183	1,532				(1,715)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory Provision for the Financing of Capital Investment	(866)	0				866
Capital expenditure charged against the General Fund and HRA balances	(58)	0				58
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account					(34)	34
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(76)	(2,190)	2,266			
Use of the Capital Receipts Reserve to finance new capital expenditure			(672)			672
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	759		(759)			
Transfer to deferred capital receipts reserve upon receipt of cash			29			(29)
Mitigation of operating leases as lessee reclassified as finance leases upon transition to IFRS	0		0			
<b>Total Rent Arrears</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21)					21
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance/ adjustment for depreciation charge to the HRA bottom line		(5,978)		5,978		
Use of the Major Repairs Reserve to finance new capital expenditure				(7,476)		7,476
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,149	278				(5,427)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,820)	0				3,820
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	1,280					(1,280)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	1				(2)
Other Adjustments	(27)	(2)				29
<b>Total Adjustments</b>	<b>3,842</b>	<b>692</b>	<b>864</b>	<b>(1,498)</b>	<b>(34)</b>	<b>(3,866)</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 8 Transfers to/from 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 2014/15

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	Balance as at 1 April 2013	2013/14	2013/14	Balance as at 31 March 2014	2014/15	2014/15	Balance as at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Job Evaluation	(755)	0	0	(755)	0	0	(755)
Business Rates grants	0	(455)	0	(455)	(35)	0	(490)
Housing Support	(167)	0	0	(167)	(139)	0	(306)
Community Safety	(177)	(97)	47	(227)	(269)	267	(229)
Planning Services	(76)	(16)	11	(81)	(36)	0	(117)
Community Development	(316)	0	149	(167)	(26)	83	(110)
Sport Development	(159)	(51)	34	(176)	(43)	116	(103)
Land Charges	(100)	0	0	(100)	0	0	(100)
Electoral Services	(8)	(16)	0	(24)	(50)	0	(74)
Housing Benefits implementation	(64)	0	0	(64)	(10)	0	(74)
Town Centre	(97)	0	41	(56)	0	5	(51)
Regulatory Services balance	(59)	0	26	(33)	0	2	(31)
Public Donations	(40)	0	2	(38)	0	9	(29)
Economic Development	0	(24)	0	(24)	0	0	(24)
Hemming Road Enterprise Centre	(23)		3	(20)			(20)
Land Drainage	(20)		0	(20)			(20)
Risk	(36)	(15)	4	(47)	(19)	47	(19)
IT Licences	(29)	0	0	(29)	0	14	(15)
Mercury emissions	(435)	(20)	0	(455)	(26)	466	(15)
Shared Services/Transformation	0	0	0	0	(10)	0	(10)
2 Pennies	(8)			(8)			(8)
Arts	(12)	(1)	5	(8)			(8)
Car Loan guarantee scheme	(7)			(7)			(7)
Environmental Health	(1)	0	0	(1)	0	0	(1)
Administrative Support	(9)			(9)		9	0
Purchases	0	(1)	0	(1)	0	1	0
Unusable Reserves	(206)	0	29	(177)	0	177	0
Countryside Centre	0	0	0	0	0	0	0
Grants to Voluntary bodies	(33)	(10)	26	(17)		17	0
Play Areas	(24)	0	24	0	0	0	0
Threadneedle House	(558)	0	58	(500)	0	500	0
Travellers Assessment	0	(9)		(9)		9	0
<b>Total General Fund</b>	<b>(3,419)</b>	<b>(715)</b>	<b>459</b>	<b>(3,675)</b>	<b>(663)</b>	<b>1,722</b>	<b>(2,616)</b>
<b>HRA</b>							
Housing Capital	(9,450)	(3,500)	0	(12,950)	(3,048)	0	(15,998)
Supporting People	(41)	0	0	(41)	0	0	(41)
<b>Total HRA</b>	<b>(9,491)</b>	<b>(3,500)</b>	<b>0</b>	<b>(12,991)</b>	<b>(3,048)</b>	<b>0</b>	<b>(16,039)</b>
<b>Total Earmarked Reserves</b>	<b>(12,910)</b>	<b>(4,215)</b>	<b>459</b>	<b>(16,666)</b>	<b>(3,711)</b>	<b>1,722</b>	<b>(18,655)</b>

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 9 Other Operating Expenditure

	2014/15	2013/14
	£000	£000
Parish council precepts	8	8
Levies	0	0
Payments to the Government Housing Capital Receipts Pool	696	759
Gains/losses on the disposal of non current assets	(313)	(550)
Other	43	43
	<b>434</b>	<b>260</b>

## Surplus/Deficit on Non-Current Assets (excl Investment Properties)

	2014/15	2013/14
	£000	£000
Net Proceeds from Sale General	(1,198)	(76)
Net proceeds from sale HRA	(2,063)	(2,190)
Disposal costs	0	0
Disposal costs HRA	53	0
Carrying amount of non-current assets sold (excl Investment Properties)	2,895	1,716
	<b>(313)</b>	<b>(550)</b>

## Other Operating Income/Expenditure

	2014/15	2013/14
	£000	£000
Income	(4)	(4)
Expenditure	47	47
	<b>43</b>	<b>43</b>

## Precepts

Purchases	2014/15	2013/14
	£000	£000
Parish	8	8
<b>Total</b>	<b>8</b>	<b>8</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 10 Financing and Investment Income and Expenditure

	2014/15	2013/14
	£000	£000
Interest payable and similar charges	3,614	3,610
Net interest on the net defined benefit liability (asset)	2,255	2,553
Interest receivable and similar income	(182)	(55)
Income and expenditure in relation to investment properties and changes in their fair value	(1,591)	(107)
Other investment income	10	(4)
<b>Total</b>	<b>4,106</b>	<b>5,997</b>

#### Interest Payable and Similar Charges

	2014/15	2013/14
	£000	£000
Lease/hire purchase interest	0	0
Bank interest	1	1
Loan Interest	34	47
Service concession Interest	0	0
HRA External Interest Payable	3,551	3,551
Other interest	28	11
	<b>3,614</b>	<b>3,610</b>

#### Interest and Investment Income

	2014/15	2013/14
	£000	£000
Bank interest	(7)	(19)
Loans	0	0
Other Investment income	(139)	0
Interest received under leasing arrangements	(36)	(36)
Purchases	<b>(182)</b>	<b>(55)</b>

Unusable Reserves



**Pensions interest cost and expected return on pensions assets**

	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Net interest on the net defined benefit liability (asset)	2,255	2,553
	<b>2,255</b>	<b>2,553</b>

**Surplus/(Deficit) on trading operations** - Councils with significant Trading Operations will need to provide separate disclosure

	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Income from trading	(110)	(127)
Expenditure	120	123
Surplus/(Deficit) for the year	<b>10</b>	<b>(4)</b>

**Income, Expenditure and changes in Fair Value of Investment Properties**

	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(506)	(889)
Expenditure	410	833
<i>Net income from investment properties</i>	<b>(96)</b>	<b>(56)</b>
<b>Surplus/deficit on sale of Investment Properties:</b>		
Proceeds from sale	0	(4)
Carrying amount of investment properties sold	0	60
<i>(Surplus)/deficit on sale of Investment Properties:</i>	<b>0</b>	<b>56</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>(1,495)</b>	<b>(107)</b>
	<b>(1,591)</b>	<b>(107)</b>

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 11

<b>Taxation and Non-Specific Grant Income and Expenditure</b>		
	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
<b>Income</b>		
Council Tax Income	<b>5,308</b>	<b>5,045</b>
Non Domestic Rates Income and Expenditure [England]	<b>1,625</b>	<b>1,270</b>
Non-ringfenced government grants	<b>3,058</b>	<b>3,442</b>
2013/14 Grant adjustment		<b>(56)</b>
Capital Grants and Contributions	<b>768</b>	<b>409</b>
<b>Total Taxation and Non-Specific Grant Income and Expenditure</b>	<b>10,759</b>	<b>10,110</b>

<b>NNDR income/expenditure</b>	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
<b>Income:</b>		
Current year	14,660	12,996
Other		
<b>Total NDR Income</b>	<b>14,660</b>	<b>12,996</b>
Purchases		
<b>Unusable Reserves</b>		
Current year	13,035	11,726
Other		
<b>Total NDR Expenditure</b>	<b>13,035</b>	<b>11,726</b>

<b>Capital Grants and Donated Assets-Applied</b>	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Government & Other Grants-Conditions met and applied in year	548	409
Government & Other Grants-transfer from receipts in advance and applied in year	0	0
<b>Total</b>	<b>548</b>	<b>409</b>

<b>Capital Grants-Unapplied</b>	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Government & Other Grants-Conditions met and <b>not</b> applied.	220	0
<b>Total</b>	<b>220</b>	<b>0</b>

<b>Council Tax (Not Scotland)</b>	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Current year	5,308	4,987
Other Movement - Freeze Grant	0	58
<b>Total</b>	<b>5,308</b>	<b>5,045</b>

<b>Non-ringfenced grants</b>	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
Revenue Support Grant	2,267	2,897
Other Government Grants	791	545
<b>Total</b>	<b>3,058</b>	<b>3,442</b>

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 12 Property, Plant and Equipment

### Current Year

	Property, Plant & Equipment (PP&E)									Investment Properties	Intangible Assets	TOTAL
	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E			
	£000	£000	£000	£000	£000	£000	£000	£000	£000			
<b>Cost or Valuation</b>												
Balance as at 1 April 2014	208,042	3,830	24,245	2,497	10,196	1,204	467	277	250,758	6,600	1,549	258,907
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	<b>208,042</b>	<b>3,830</b>	<b>24,245</b>	<b>2,497</b>	<b>10,196</b>	<b>1,204</b>	<b>467</b>	<b>277</b>	<b>250,758</b>	<b>6,600</b>	<b>1,549</b>	<b>258,907</b>
Additions (Note 34)	9,741	0	483	133	116	108	32	0	10,613	28	130	10,771
Revaluation increases/decreases to Revaluation Reserve	0	22	1,228		0	0	0	0	1,250	0	0	1,250
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,796)	(21)	4	0	0	0	0	0	(4,813)	1,495	0	(3,318)
Derecognition - Disposals	(1,458)	0	0	0	(173)	0	0	0	(1,631)	0	0	(1,631)
Derecognition - Other	0	0	0	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	669	890	0	26	37	(15)	(277)	1,330	(1,330)	0	0
<b>Balance as at 31 March 2015</b>	<b>211,529</b>	<b>4,500</b>	<b>26,850</b>	<b>2,630</b>	<b>10,165</b>	<b>1,349</b>	<b>484</b>	<b>0</b>	<b>257,507</b>	<b>6,793</b>	<b>1,679</b>	<b>265,979</b>
<b>Depreciation and Impairment</b>												
Balance as at 1 April 2014	0	0	482	353	7,133	0	0	0	7,968	0	1,332	9,300
Adjustments between cost/value & depreciation/impairment		0	0	0	0	0	0	0	0			0
Adjusted opening balance	0	0	482	353	7,133	0	0	0	7,968	0	1,332	9,300
Depreciation Charge	5,987	0	482	91	665	0	0	0	7,225	0	89	7,314
Depreciation written out on Revaluation Reserve	0	0	(537)		0	0	0	0	(537)	0	0	(537)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(5,987)	0	(12)	0	0	0	0	0	(5,999)	0	0	(5,999)
Derecognition - Disposals	0	0	0	0	(173)	0	0	0	(173)	0	0	(173)
<b>Purchases</b>	<b>0</b>	<b>0</b>	<b>415</b>	<b>444</b>	<b>7,625</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,484</b>	<b>0</b>	<b>1,421</b>	<b>9,905</b>
<b>Net Book Value</b>												
<b>Balance as at 31 March 2015</b>	<b>211,529</b>	<b>4,500</b>	<b>26,435</b>	<b>2,186</b>	<b>2,540</b>	<b>1,349</b>	<b>484</b>	<b>0</b>	<b>249,023</b>	<b>6,793</b>	<b>258</b>	<b>256,074</b>
<b>Balance as at 31 March 2014</b>	<b>208,042</b>	<b>3,830</b>	<b>23,763</b>	<b>2,144</b>	<b>3,063</b>	<b>1,204</b>	<b>467</b>	<b>277</b>	<b>242,790</b>	<b>6,600</b>	<b>217</b>	<b>249,607</b>

### Depreciation

All assets other than Housing Revenue Account, freehold land and non-operational investment properties have been depreciated using the straight line method. An amount equivalent to the Major Repairs Allowance (MRA) has been used as the annual depreciation charge for Housing Revenue Account assets. The MRA represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period. It is considered that this constitutes a reasonable estimate of depreciation. Depreciation has not been provided for freehold land or for non-operational investment properties.

The useful economic life of the assets has been determined by the Council's valuers and surveyors. Council dwellings have an economic useful life of 60 years. Other land and buildings assets and investment properties have a useful life of between 15 and 100 years. Vehicles and plant assets and software licences have a useful life of between 5 to 10 years.

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 12 a Comparative Year

	Property, Plant & Equipment (PP&E)										Investment Properties	Intangible Assets	TOTAL
	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000			
<b>Cost or Valuation</b>													
Balance as at 1 April 2013	208,466	4,783	24,038	2,141	9,134	1,004	1,227	0	250,793	6,533	1,580	258,906	
Adjustments between cost/value & depreciation/impairment			0	0	0	0	0	0	0	0	0	0	
Adjusted opening balance	<b>208,466</b>	<b>4,783</b>	<b>24,038</b>	<b>2,141</b>	<b>9,134</b>	<b>1,004</b>	<b>1,227</b>	<b>0</b>	<b>250,793</b>	<b>6,533</b>	<b>1,580</b>	<b>258,906</b>	
Additions (Note 34)	8,160	0	218	356	1,219	200	(760)	0	9,393	20	34	9,447	
Donations	0	0	0	0	0	0	0	0	0	0	0	0	
Revaluation increases/decreases to Revaluation Reserve	0	(758)	207	0	0	0	0	0	(551)	0	0	(551)	
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(7,052)	(88)	12	0	0	0	0	0	(7,128)	107	0	(7,021)	
Derecognition - Disposals	(1,532)	0	0	0	(96)	0	0	0	(1,628)	(60)	(65)	(1,753)	
Derecognition - Other	0	0	0	0	(61)	0	0	0	(61)	0	0	(61)	
Reclassifications & Transfers	0	(107)	(230)	0	0	0	0	277	(60)	0	0	(60)	
<b>Balance as at 31 March 2014</b>	<b>208,042</b>	<b>3,830</b>	<b>24,245</b>	<b>2,497</b>	<b>10,196</b>	<b>1,204</b>	<b>467</b>	<b>277</b>	<b>250,758</b>	<b>6,600</b>	<b>1,549</b>	<b>258,907</b>	
<b>Depreciation and Impairment</b>													
Balance as at 1 April 2013	0	0	1,078	271	6,586	0	0	0	7,935	0	1,306	9,241	
Adjusted opening balance	0	0	1,078	271	6,586	0	0	0	7,935	0	1,306	9,241	
Depreciation Charge	5,966	0	473	82	705	0	0	0	7,226	0	91	7,317	
Depreciation written out on Revaluation Reserve	0	0	(1,069)	0	0	0	0	0	(1,069)	0	0	(1,069)	
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(5,966)	0	0	0	0	0	0	0	(5,966)	0	0	(5,966)	
Derecognition - Disposals	0	0	0	0	(97)	0	0	0	(97)	0	(65)	(162)	
Derecognition - Other	0	0	0	0	(61)	0	0	0	(61)	0	0	(61)	
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Purchases</b>	<b>0</b>	<b>0</b>	<b>482</b>	<b>353</b>	<b>7,133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,968</b>	<b>0</b>	<b>1,332</b>	<b>9,300</b>	
<b>Net Book Value</b>													
<b>Balance as at 31 March 2014</b>	<b>208,042</b>	<b>3,830</b>	<b>23,763</b>	<b>2,144</b>	<b>3,063</b>	<b>1,204</b>	<b>467</b>	<b>277</b>	<b>242,790</b>	<b>6,600</b>	<b>217</b>	<b>249,607</b>	
<b>Balance as at 31 March 2013</b>	<b>208,466</b>	<b>4,783</b>	<b>22,960</b>	<b>1,870</b>	<b>2,548</b>	<b>1,004</b>	<b>1,227</b>	<b>0</b>	<b>242,858</b>	<b>6,533</b>	<b>274</b>	<b>249,665</b>	

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 13 Heritage Assets

Cost or Valuation	£000	Total Assets £000
<b>Balance 1st April 2013</b>	0	<b>0</b>
Reclassification during 2013/14	48	<b>48</b>
<b>Balance as at 31 March 2014</b>	<b>48</b>	<b>48</b>
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	(-2)	<b>(-2)</b>
<b>Balance as at 31 March 2015</b>	<b>46</b>	<b>46</b>

The Council has classified Forge Mill as a heritage asset. The visitors centre on site is as an operational asset but the Forge Mill itself is held by the Council for its contribution to knowledge and culture.

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 14 Income, Expenditure and changes in Fair Value of Investment Properties

Income/Expenditure from Investment Properties:	2014/15	2013/14
	£000	£000
Rental income from investment property	(500)	(889)
Direct operating expenses arising from investment property	408	833
<b>Net Gain/Loss</b>	<b>(92)</b>	<b>(56)</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15	2013/14
	£000	£000
Balance at start of the year	6,600	6,533
Additions:		
- Subsequent expenditure	28	20
Disposals	0	(60)
Net gains/losses from fair value adjustments	1,495	107
Transfers:		
- to/from Property, Plant and Equipment	(1,330)	0
<b>Balance at end of year</b>	<b>6,793</b>	<b>6,600</b>

Six properties were transferred from Investment Properties to other land and buildings. The properties were transferred at the valuation as Investment Properties (£1.330m) and then revalued based on their operational use which resulted in a valuation loss of £0.182m and is accounted for within other land and buildings.

Included within the £6.793m for investment property is £1.450m relating to Threadneedle House. During 2014/15 contracts were exchanged and the disposal of this building and this has been completed in 2015/16.

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 15 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £89k charged to revenue in the current year was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

#### The Movement in Intangible Assets for the Year is as Follows

	2014/15			2013/14	
	Internally Generated Assets	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000	£000
<b>Balance at start of year:</b>					
· Gross carrying amounts	0	1,549	1,549	1,580	1,580
· Accumulated amortisation	0	(1,332)	(1,332)	(1,306)	(1,306)
Net carrying amount at start of year	<b>0</b>	<b>217</b>	<b>217</b>	<b>274</b>	<b>274</b>
Additions:					
· Purchases	0	130	130	34	34
· Acquired through business combinations	0	0	0	0	0
	<b>0</b>	<b>347</b>	<b>347</b>	<b>308</b>	<b>308</b>
Other disposals	0	0	0	(65)	(65)
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0
Amortisation for the period	0	(89)	(89)	(91)	(91)
Amortisation written off on disposal	0	0	0	65	65
Net carrying amount at end of year	<b>0</b>	<b>258</b>	<b>258</b>	<b>217</b>	<b>217</b>
Comprising:					
· Gross carrying amounts	0	1,679	1,679	1,549	1,549
· Accumulated amortisation	0	(1,421)	(1,421)	(1,332)	(1,332)
	<b>0</b>	<b>258</b>	<b>258</b>	<b>217</b>	<b>217</b>

For an intangible asset assessed as having an indefinite useful life, the authority must state the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the authority shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

Material items of intangible assets must be described with more individual detail (see 4.5.4.2(3) of the Code).

Note required per 4.5.4.2(7) of the Code where intangibles have been acquired by way of Government Grant.



# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 16 Financial Instruments

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

	Long-term		Current	
	31/03/15	31/03/2014	31/03/15	31/03/2014
	£000	£000	£000	£000
<b>Debtors</b>				
Loans and receivables	1,192	1,196		
Financial assets carried at contract amounts			6,636	6,242
<b>Total Debtors</b>	<b>1,192</b>	<b>1,196</b>	<b>6,636</b>	<b>6,242</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(104,061)	(104,087)	(9,005)	(13,003)
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total borrowings</b>	<b>(104,061)</b>	<b>(104,087)</b>	<b>(9,005)</b>	<b>(13,003)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	0	0	0	0
<b>Total other long term liabilities</b>	<b>(104,061)</b>	<b>(104,087)</b>	<b>(9,005)</b>	<b>(13,003)</b>
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial liability and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance sheet at amortised cost. Their fair value has been calculated by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- For PWLB loans, the premature repayment rate at 31st March 2014 and the debt redemption procedure of the PWLB have been applied.
- The fair value of other temporary borrowing and deposit loans is taken as amortised cost since there is no trade in these assets
- The fair value of debtors and creditors is taken as the invoiced or billed amount

Short term borrowing has decreased from £13m to £9m which is mainly due to increased usable reserves, creditors and provisions.

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 17 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at year end</b>	<b>34</b>	<b>34</b>	<b>271</b>	<b>244</b>	<b>305</b>	<b>278</b>

### Note 18 Debtors

	Long term debtors		Short term debtors	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Central Government Bodies	0		1,462	1,435
Other Local Authorities	0	0	1,581	1,560
Housing Rents	0	0	1,381	1,291
less bad debt provision	0	0	(1,960)	(1,643)
Other entities and individuals	1,192	1,196	4,172	3,599
<b>Total</b>	<b>1,192</b>	<b>1,196</b>	<b>6,636</b>	<b>6,242</b>

### Note 19 Cash and Cash Equivalents

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

	2014/15	2013/14
	£000	£000
Cash and Bank balances	42	396
Short Term Investments	0	0
Short Term Deposits	0	0
Bank Overdraft	(198)	0
<b>Total</b>	<b>(156)</b>	<b>396</b>

Note, Bank overdrafts are shown separately from cash and cash equivalents where they are not an integral part of an Authority's cash management.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 20 Assets Held for Sale

	Current	
	2014/15	2013/14
	£000's	£000's
<b>Balance outstanding at start of year</b>	<b>2,004</b>	<b>932</b>
Additions	0	0
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	0	0
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	(4)
Revaluation gains	0	1,200
Impairment losses	0	0
Assets declassified as held for sale:		
- Property Plant and Equipment	0	0
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Assets sold	(1,437)	(124)
Transfers between non current and current	0	0
<b>Balance outstanding at year-end</b>	<b>567</b>	<b>2,004</b>

The Council has a number of land assets and buildings that are held for sale. These are surplus to the Council's operational needs. These are being actively marketed and disposal is expected within 12 months of the balance sheet date.

The assets held for sale has reduced following two disposals during 2014/15. The net gain on disposals is shown in note 9.

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 21 Creditors

	Short term creditors	
	2014/15	2013/14
	£000	£000
Central government bodies	(1,410)	(1,055)
Other local authorities	(2,163)	(3,063)
Housing Rents prepaid	(587)	(423)
NHS bodies	0	(28)
Other entities and individuals	(3,512)	(2,027)
<b>Total</b>	<b>(7,672)</b>	<b>(6,596)</b>

Short term creditors have increased by £1.1m which is mainly due to increased housing revenue account capital creditors (£0.8m) and increased grant due back to the Government in respect of rent allowances (£0.4m).

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 22 Provisions

The Provisions below contain an estimated cost of business rate appeals unsettled at the end of year.

	Balance as at 1 April 2014	Increase in provision during year	Utilised during year	Balance as at 31 March 2015
	£000	£000	£000	£000
Compensation Payments	(-508)		(-28)	(-480)
Other NNDR Appeals	(-451)	(-984)	0	(-1,435)
	<b>(-959)</b>	<b>(-984)</b>	<b>(-28)</b>	<b>(-1,915)</b>

<b>Current Provisions</b>	(-959)	(-984)	(-28)	(-1,915)
<b>Long Term Provisions</b>	0	0	0	0
	<b>(-959)</b>	<b>(-984)</b>	<b>(-28)</b>	<b>(-1,915)</b>

### Comparative Year

	Balance as at 1 April 2013	Increase in provision during year	Utilised during year	Balance as at 31 March 2014
	£000	£000	£000	£000
Compensation Payments	(-491)	(-183)	166	(-508)
Other NNDR Appeals	0	(-451)	0	(-451)
	<b>(-491)</b>	<b>(-634)</b>	<b>166</b>	<b>(-959)</b>

<b>Current Provisions</b>	(-491)	(-634)	166	(-959)
<b>Long Term Provisions</b>	0	0	0	0
	<b>(-491)</b>	<b>(-634)</b>	<b>166</b>	<b>(-959)</b>

### NNDR Appeals

The NNDR provision for appeals has increased reflecting the number of claims received during 2014/15 and an Upper Tribunal (Lands Chamber) decision relating to General Practitioner purpose built surgeries.

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 23 Reserves

### Analysis of Movement on Reserves - Current Year

	USABLE RESERVES							TOTAL USABLE RESERVES	UNUSABLE RESERVES							TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	HRA Balance	HRA Earmarked Reserves	Earmarked Reserves	General Fund		Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Pension Strain Reserve	Deferred Capital Receipts Account	Collection Fund Adjustment Account	Accumulated Absences Account / Employee Statutory		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2014</b>	3,352	620	12	1,031	12,991	3,675	1,166	<b>22,847</b>	104,163	8,826	(52,030)	(418)	639	(1,187)	(168)	<b>59,825</b>	<b>82,672</b>
<b>Movements during the year:</b>																	
Applied Capital Grants							(548)	<b>(548)</b>	548							548	0
Unapplied Capital Grants received in		220					(220)	<b>0</b>								0	0
Unapplied Capital Grants transferred to CAA in year		(32)						<b>(32)</b>	32							32	0
Direct Revenue Financing	7			(387)			(54)	<b>(441)</b>	441							441	0
Depreciation & impairment adjustment	7		0	4,490			1,640	<b>6,130</b>	(6,130)							(6,130)	0
Net Revenue expenditure funded from capital under statute	7			0			514	<b>514</b>	(514)							(514)	0
Surplus/(Deficit) on the Provision of Services				5,204			(840)	<b>4,364</b>								0	4,364
TRANSFER FROM Usable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	7	(696)					696	<b>0</b>								0	0
Transfers to or from HRA earmarked reserves				(3,048)	3,048			<b>0</b>								0	0
Purchases				0		(1,059)	1,059	<b>0</b>								0	0
Net movements on Pension Reserve	47			291			445	<b>736</b>			(736)					(736)	0
Disposal of Non Current Assets/Capital Sales	7	3,208		(552)			192	<b>2,848</b>	(1,537)	(1,358)			47			(2,848)	0
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / Capital Receipts used to finance capital expenditure	7			0			(964)	<b>(964)</b>	964							964	0
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the Adjustments in relation to Short-term compensated absences	7	(4,267)						<b>(4,267)</b>	4,267							4,267	0
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the Adjustments in relation to Short-term compensated absences	7						395	<b>395</b>					(395)			(395)	0
Valuations				0			(1)	<b>(1)</b>							1	1	0
Revaluations	12			0			(1,495)	<b>(1,495)</b>	1,495							1,495	0
Other Movements		26					0	<b>26</b>	191	1,787 (191)	(15,000)		(26)			(13,213) (26)	(13,213) 0
Reversal of Major Repairs Allowance credited to the HRA				5,999	(5,999)			<b>0</b>								0	0
Use of MRA to finance capital ...	40			(5,998)				<b>(5,998)</b>	5,998							5,998	0
<b>Total movements on reserves during the year (Change in Net Worth)</b>	<b>(1,729)</b>	<b>188</b>	<b>1</b>	<b>(1)</b>	<b>3,048</b>	<b>(1,059)</b>	<b>819</b>	<b>1,267</b>	<b>5,755</b>	<b>238</b>	<b>(15,736)</b>	<b>0</b>	<b>21</b>	<b>(395)</b>	<b>1</b>	<b>(10,116)</b>	<b>(8,849)</b>
<b>Balance as at 31 March 2015</b>	<b>1,623</b>	<b>808</b>	<b>13</b>	<b>1,030</b>	<b>16,039</b>	<b>2,616</b>	<b>1,985</b>	<b>24,114</b>	<b>109,918</b>	<b>9,064</b>	<b>(67,766)</b>	<b>(418)</b>	<b>660</b>	<b>(1,582)</b>	<b>(167)</b>	<b>49,709</b>	<b>73,823</b>

Analysis of Movement on Reserves - Comparative Year

	USABLE RESERVES							TOTAL USABLE RESERVES	UNUSABLE RESERVES							TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	HRA Balance	HRA Earmarked Reserves	Earmarked Reserves	General Fund		Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Pension Strain Reserve	Deferred Capital Receipts Account	Collection Fund Adjustment Account	Accumulated Absences Account		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2013</b>	2,488	654	1,510	817	9,491	3,419	1,000	<b>19,379</b>	104,793	7,476	(62,669)	(502)	647	93	(166)	<b>49,672</b>	<b>69,051</b>
<b>Movements during the year:</b>																	
Applied Capital Grants							(409)	<b>(409)</b>	409							<b>409</b>	<b>0</b>
Unapplied Capital Grants transferred to CAA in year		(34)						<b>(34)</b>	34							<b>34</b>	<b>0</b>
Direct Revenue Financing				0			(58)	<b>(58)</b>	58							<b>58</b>	<b>0</b>
Depreciation & impairment adjustment			0	7,051			1,432	<b>8,483</b>	(8,483)							<b>(8,483)</b>	<b>0</b>
Net Revenue expenditure funded from capital under statute				0			422	<b>422</b>	(422)							<b>(422)</b>	<b>0</b>
Surplus/(Deficit) on the Provision of Services				3,022			(3,420)	<b>(398)</b>								<b>0</b>	<b>(398)</b>
Total Rent Arrears																	
Transfers to or from HRA earmarked reserves	(759)						759	<b>0</b>								<b>0</b>	<b>0</b>
			(3,500)		3,500											<b>0</b>	<b>0</b>
Transfers to or from earmarked reserves				0		256	(256)	<b>0</b>								<b>0</b>	<b>0</b>
Net movements on Pension Reserve				278			1,329	<b>1,607</b>			(1,607)	84				<b>(1,523)</b>	<b>84</b>
Disposal of Non Current Assets/Capital Sales	2,266			(658)			86	<b>1,694</b>	(1,715)	0			21			<b>(1,694)</b>	<b>0</b>
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI				0			(866)	<b>(866)</b>	866							<b>866</b>	<b>0</b>
Capital Receipts used to finance capital expenditure	(672)							<b>(672)</b>	672							<b>672</b>	<b>0</b>
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for Adjustments in relation to Short-term compensated absences							1,280	<b>1,280</b>						(1,280)		<b>(1,280)</b>	<b>0</b>
Revaluation				1			1	<b>2</b>			1,718	12,246			(2)	<b>(2)</b>	<b>13,964</b>
								<b>0</b>								<b>13,964</b>	<b>13,964</b>
Movement in Investment Property Values				0			(107)	<b>(107)</b>	107							<b>107</b>	<b>0</b>
Other Movements	29						0	<b>29</b>	368	(368)			(29)			<b>(29)</b>	<b>0</b>
Reversal of Major Repairs Allowance credited to the HRA				5,978	(5,978)			<b>0</b>								<b>0</b>	<b>0</b>
Use of MRA to finance capital expenditure				(7,476)				<b>(7,476)</b>	7,476							<b>7,476</b>	<b>0</b>
Other Adjustments					(2)		(27)	<b>(29)</b>								<b>0</b>	<b>(29)</b>
<b>Total movements on reserves during the year (Change in Net Worth)</b>	<b>864</b>	<b>(34)</b>	<b>(1,498)</b>	<b>214</b>	<b>3,500</b>	<b>256</b>	<b>166</b>	<b>3,468</b>	<b>(630)</b>	<b>1,350</b>	<b>10,639</b>	<b>84</b>	<b>(8)</b>	<b>(1,280)</b>	<b>(2)</b>	<b>10,153</b>	<b>13,621</b>
<b>Balance as at 31 March 2014</b>	<b>3,352</b>	<b>620</b>	<b>12</b>	<b>1,031</b>	<b>12,991</b>	<b>3,675</b>	<b>1,166</b>	<b>22,847</b>	<b>104,163</b>	<b>8,826</b>	<b>(52,030)</b>	<b>(418)</b>	<b>639</b>	<b>(1,187)</b>	<b>(168)</b>	<b>59,825</b>	<b>82,672</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 23 Usable Reserves

Usable reserves are held to cover future risks or support future spending plans. During the year the reserves moved as follows:-

	31/03/2015	31/03/2014
	£000	£000
General Fund Balances	Purchases	1,166
General Fund Earmarked Reserves	2,616	3,675
HRA Balances	1,030	1,031
HRA Earmarked Reserves	16,039	12,991
Capital Receipts Reserve	1,623	3,352
Capital Grants Unapplied	808	620
Major Repairs Reserve	13	12
<b>Total Usable Reserves</b>	<b>22,129</b>	<b>22,847</b>

### Capital Receipts Reserve

	31/03/2015	31/03/2014
	£000	£000
<b>Balance 1 April</b>	<b>3,352</b>	<b>2,488</b>
Capital Receipts in year	3,208	2,266
Deferred Receipts realised	26	29
	<b>6,586</b>	<b>4,783</b>
<b>Less:</b>		
Capital Receipts Pooled	(696)	(759)
Capital Receipts used for financing	(4,267)	(672)
<b>Balance 31 March</b>	<b>1,623</b>	<b>3,352</b>



**Major Repairs Reserve**

The Major Repairs Reserve details the Major Repairs Allowance (MRA) received by the Council. The MRA is based on national average unit costs for each of the property types and represents the estimated long-term average amount of capital spending required to maintain a local authority's stock in its current condition. The MRA received in the year totalled £5.987 all of which was used to finance capital spend in the Housing Investment Programme in 2014/15.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance on 1 April</b>	<b>12</b>	<b>1,510</b>
Depreciation on Dwellings	5,987	5,966
Transfer to/from HRA Balance	<b>12</b>	<b>12</b>
Borrowing or Liability repayments	0	0
HRA Capital Expenditure	(5,998)	(7,476)
<b>Balance on 31 March</b>	<b>13</b>	<b>12</b>

**Capital Grants Unapplied**

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance on 1 April</b>	<b>620</b>	<b>654</b>
Unapplied Capital Grants transferred to CAA in year	(32)	(34)
<b>Balance on 31 March</b>	<b>808</b>	<b>620</b>

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 24 Unusable Reserves

	31/03/2015	31/03/2014
	£000	£000
Capital Adjustment Account	109,906	104,151
Revaluation Reserve	9,064	8,826
Pensions Reserve	(68,184)	(52,448)
Deferred Capital Receipts Reserve (England and Wales)	660	639
Collection Fund Adjustment Account	(1,582)	(1,187)
Accumulating Compensated Absences Adjustment Account	(167)	(168)
<b>Total Unusable Reserves</b>	<b>49,697</b>	<b>59,813</b>

### Capital Adjustment Account

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	31/03/2015		31/03/2014	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>104,151</b>		<b>104,793</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	(7,227)		(7,238)	
Revaluation losses on Property, Plant and Equipment	1,186		(1,166)	
Amortisation of Intangible Assets	(89)		(91)	
Revenue expenditure funded from capital under statute	(514)		(422)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,895)		(1,715)	
		<b>(9,539)</b>		<b>(10,632)</b>
Adjusting amounts written out of the Revaluation Reserve		1,549		368
<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>(7,990)</b>		<b>(10,264)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	4,267		672	
Use of the Major Repairs Reserve to finance new capital expenditure	5,998		7,476	
Application of grants to capital financing from the Capital Grants Unapplied Account	32		34	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	548		409	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	964		866	
Borrowing or liabilities met from the Major Repairs Reserve	0		0	
Capital expenditure charged against the General Fund and HRA balances	441		58	
		<b>12,250</b>		<b>9,515</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,495		107
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0		0
<b>Balance at 31 March</b>		<b>109,906</b>		<b>104,151</b>

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. [The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 14 years.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</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.

Total Rent Arrears

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

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	8,826	7,476
Upward revaluation of assets	1,787	1,718
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>1,787</b>	<b>1,718</b>
Difference between fair value depreciation and historical cost depreciation	(191)	(368)
Revaluation balances on assets scrapped or disposed of	(1,358)	0
Amount written off to the Capital Adjustment Account	<b>(1,549)</b>	<b>(368)</b>
<b>Balance at 31 March</b>	<b>9,064</b>	<b>8,826</b>

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Upward revaluation of investments		
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		
	<b>0</b>	<b>0</b>
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</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.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	<b>(52,030)</b>	<b>(62,669)</b>
Remeasurements of the net defined benefit liability/(asset)	(15,000)	12,246
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	(4,576)	(5,427)
Employers pensions contributions and direct payments to pensioners payable in the year	3,840	3,820
<b>Balance at 31 March</b>	<b>(67,766)</b>	<b>(52,030)</b>
	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Pension Reserve Strain as at 31st March</b>	<b>(418)</b>	<b>(418)</b>

**Deferred Capital Receipts Reserve**

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

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	639	647
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	47	21
Transfer to the Capital Receipts Reserve upon receipt of cash	(26)	(29)
<b>Balance at 31 March</b>	<b>660</b>	<b>639</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.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	(1,187)	<b>93</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	(395)	(1,280)
<b>Balance at 31 March</b>	<b>(1,582)</b>	<b>(1,187)</b>

**Accumulated Absences Account**

The Accumulating Compensated 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.

	<b>31/03/2015</b>	<b>31/03/2014</b>
	£000	£000
<b>Balance at 1 April</b>	<b>(168)</b>	<b>(166)</b>
Settlement or cancellation of accrual made at the end of the preceding year	168	166
Amounts accrued at the end of the current year	(167)	(168)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
<b>Balance at 31 March</b>	<b>(167)</b>	<b>(168)</b>

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

## Note 25 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

	2014/15	2013/14
	£000	£000
Interest Paid	3,614	3,604
Interest Received	(7)	(20)
Dividends Received		

	2014/15	2013/14
	£000	£000
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Depreciation	7,227	7,228
Impairment & downward valuations	(1,186)	1,162
Amortisation	89	91
Increase/(Decrease) in provisions	956	470
(Increase)/Decrease in Inventories	(27)	19
(Increase)/Decrease in Debtors	(674)	(360)
Increase/(Decrease) in Creditors	778	581
Movement in pension liability	736	1,566
Carrying amount of non-current assets sold	2,895	1,613
Other items charged to the net surplus or deficit on provision of services	(1,417)	0
	<b>9,377</b>	<b>12,370</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	(3,261)	(2,266)
Any other items		0
	<b>(3,261)</b>	<b>(2,266)</b>



**Note 26 Cash Flow From Investing Activities**

	2014/15	2013/14
	£000	£000
Purchase of PP&E, investment property and intangible assets	10,771	9,489
Purchase of Short Term Investments (not considered to be cash equivalents)	20,000	10,000
Other Payments for Investing Activities	(55)	36
Proceeds from the sale of PP&E, investment property and intangible assets	(3,261)	(2,266)
Proceeds from Short Term Investments (not considered to be cash equivalents)	(20,000)	(11,500)
Other Receipts from Investing Activities	(357)	(54)
<b>Net Cash flows from Investing Activities</b>	<b>7,098</b>	<b>5,705</b>

**Note 27 Cash flows from Financing Activities**

	2014/15	2013/14
	£000	£000
Cash Receipts from Short and Long Term Borrowing	(44,000)	(61,800)
Repayment of Short and Long Term Borrowing	48,024	66,348
Other payments for Financing Activities	(90)	901
<b>Net Cash flows from Financing Activities</b>	<b>3,934</b>	<b>5,449</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015**Note 28 Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice. Decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current services cost benefits accrued in the year

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the comprehensive income and expenditure statement and the subjective analysis within the explanatory forward.

Support costs are included in the costs of the Directorate providing the support service. The allocation of support costs to direct services is shown under "Support" in the 2014/15 figures. In 2013/14 the allocation of support costs was made across the Directorates receiving support.

The income and expenditure of the Authority's principal [directorates] recorded in the budget reports for the year is as follows:

2014/15	Support & Chief Exec	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(359)	(2,598)	(1,620)	(6,754)	(11,331)
Government grants	0	(25,344)	0	(30)	(25,374)
Recharges to Services	(2,242)	(4,706)	(1,494)	(3,874)	(12,316)
<b>Total Income</b>	<b>(2,601)</b>	<b>(32,648)</b>	<b>(3,114)</b>	<b>(10,658)</b>	<b>(49,021)</b>
Employee expenses	926	3,061	1,550	7,180	12,717
Other service expenses	1,616	28,424	1,820	6,966	38,826
Capital Charges	139	200	19	952	1,310
Support service recharges	5,305	836	1	124	6,266
<b>Total Expenditure</b>	<b>7,986</b>	<b>32,521</b>	<b>3,390</b>	<b>15,222</b>	<b>59,119</b>
<b>Net Expenditure</b>	<b>5,385</b>	<b>(127)</b>	<b>276</b>	<b>4,564</b>	<b>10,098</b>

2013/14	Support & Chief Exec	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(324)	(2,871)	(1,546)	(6,694)	(4,741)
Government grants	0	(25,257)	0	(22)	(25,257)
Recharges to Services	(1,995)	(5,047)	(1,653)	(3,833)	(8,695)
<b>Total Income</b>	<b>(2,319)</b>	<b>(33,175)</b>	<b>(3,199)</b>	<b>(10,549)</b>	<b>(38,693)</b>
Employee expenses	844	3,529	1,681	7,192	6,054
Other service expenses	1,637	28,620	1,885	7,846	32,142
Purchases	5,022	1,024	2	157	6,048
<b>Unusable Reserves</b>	<b>7,503</b>	<b>33,173</b>	<b>3,568</b>	<b>15,195</b>	<b>44,244</b>
<b>Net Expenditure</b>	<b>5,184</b>	<b>(2)</b>	<b>369</b>	<b>4,646</b>	<b>5,551</b>

This reconciliation shows how the figures in the analysis of [directorate] income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure

	2014/15	2013/14
	£000	£000
Net expenditure in the [Directorate] Analysis	10,098	10,197
Housing Revenue Expenditure	(10,199)	(15,442)
Net expenditure of services and support services not included in the Analysis	473	12,890
Amounts in the Comprehensive Income and Expenditure Statement not reported to	2,751	0
Amounts included in the Analysis not included in the Comprehensive Income and	(1,268)	(12,363)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>1,855</b>	<b>(4,718)</b>

This reconciliation shows how the figures in the analysis of [directorate] income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Directorate Analysis	HRA	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(11,331)	(25,139)	(342)			(36,812)	-	(36,812)
Interest and investment income	-	-	-		616	616	(798)	(182)
Income from council tax	-	-	-		-	0	(5,308)	(5,308)
Government grants and contributions	(25,374)		(409)			(25,783)	(5,451)	(31,234)
Support Services Recharge								
<b>Total Income</b>	<b>(36,705)</b>	<b>(25,139)</b>	<b>(751)</b>	<b>0</b>	<b>616</b>	<b>(61,979)</b>	<b>(11,557)</b>	<b>(73,536)</b>
Employee expenses	12,717	4,108	(174)		(4,447)	12,204	43	12,247
Other service expenses	38,826	4,598	623	1,824	(410)	45,461	2,785	48,246
Support Service recharges	(6,050)	1,744	678		2,973	(655)		(655)
Depreciation, amortisation and impairment	1,310	5,999	97			7,406	(1,495)	5,911
Interest Payments	-	-	-		-	0	3,614	3,614
Precepts & Levies	-	-	-		-	0	8	8
Payments to Housing Capital Receipts Pool	-	-	-		-	0	696	696
Gain or Loss on Disposal of Fixed Assets	-	(1,509)	-	927		(582)	(316)	(895)
<b>Total expenditure</b>	<b>46,803</b>	<b>14,940</b>	<b>1,224</b>	<b>2,751</b>	<b>(1,884)</b>	<b>63,834</b>	<b>5,338</b>	<b>69,172</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,098</b>	<b>(10,199)</b>	<b>473</b>	<b>2,751</b>	<b>(1,268)</b>	<b>1,855</b>	<b>(6,219)</b>	<b>(4,364)</b>

2013/14	Directorate Analysis	HRA	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(11,435)	(25,027)	1,883		609	(33,970)	(609)	(34,579)
Interest and investment income	-	-	-		-	0	(107)	(107)
Income from council tax	-	-	-		-	0	(6,257)	(6,257)
Income from non domestic rates	-	-	-		-	0	0	0
Government grants and contributions	(25,279)		(202)		-	(25,481)	(3,853)	(29,334)
Support Services Recharge	(12,528)		(707)		13,236	1	(1)	0
<b>Total Income</b>	<b>(49,242)</b>	<b>(25,027)</b>	<b>974</b>	<b>0</b>	<b>13,845</b>	<b>(59,450)</b>	<b>(10,827)</b>	<b>(70,277)</b>
Employee expenses	13,246	2,071	690		0	16,007	-	16,007
Other service expenses	33,668	6,839	6,754		374	47,635	610	48,245
Support Service recharges	7,892		4,472		(12,364)	0	8	8
Depreciation, amortisation and impairment	4,633	9,585	-	0	(14,218)	0	-	0
Interest Payments	-	-	-	-	-	0	6,206	6,206
Precepts & Levies	-	-	-	-	-	0	0	0
Payments to Housing Capital Receipts Pool	-	-	-	-	-	0	759	759
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	0	(550)	(550)
<b>Total Expenditure</b>	<b>59,439</b>	<b>9,585</b>	<b>11,916</b>	<b>0</b>	<b>(26,208)</b>	<b>63,642</b>	<b>7,033</b>	<b>70,675</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,197</b>	<b>(15,442)</b>	<b>12,890</b>	<b>0</b>	<b>(12,363)</b>	<b>4,192</b>	<b>(3,794)</b>	<b>398</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 29 Members' Allowances

During the year Members allowances, including Employer's costs totalled £150k (2013/14 £140k) and are as follows:

	2014/15	2013/14
	£000	£000
Salaries	0	0
Allowances	97	97
Special responsibilities	40	40
Expenses	13	3
	<b>150</b>	<b>140</b>

### Note 30 Officers Remuneration

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

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

	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total	50% share to Bromsgrove	Revised Total
	£	£	£	£	£	£	£	£
Executive Director of Planning & Regeneration, Regulatory & Housing	2014/15	0			0	0	0	0
	2013/14	70,618	0	0	7,980	78,598	39,299	39,299
Executive Director of Leisure, Environmental & Community	2014/15	102,000			12,036	114,036	57,018	57,018
	2013/14	102,000	0	0	11,526	113,526	56,763	56,763
TOTAL	2014/15	102,000	0	0	12,036	114,036	57,018	57,018
	2013/14	172,618	0	0	19,506	192,124	96,062	96,062

Unusable Reserves

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

	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total	50% share to Redditch	Revised Total
	£	£	£	£	£	£	£	£
Chief Executive	2014/15	127,500			13,897	141,397	70,699	70,699
	2013/14	127,500	0	39	13,388	140,927	70,464	70,464
Executive Director of Finance & Resources	2014/15	92,654			10,132	102,786	51,393	51,393
	2013/14	92,500	0	0	9,712	102,212	51,106	51,106
Head of Legal & Democratic Services	2014/15	76,628			8,454	85,082	42,541	42,541
	2013/14	76,500	0	0	8,033	84,533	42,267	42,267
TOTAL	2014/15	296,782	0	0	32,483	329,265	164,633	164,633
	2013/14	296,500	0	39	31,133	327,672	163,836	163,836

### 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

	2014/15	2013/14
£50,001 to £55,000	5	3
£55,001 to £60,000	4	1
£60,001 to £65,000	2	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	4	3
£80,001 to £85,000	0	1
£85,001 to £90,000	0	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	0	0
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	0	0
£140,001 to £145,000	0	0
£145,001 to £150,000	0	0
	<b>15</b>	<b>10</b>

#### Bromsgrove District Council

	2014/15	2013/14
£50,001 to £55,000	8	10
£55,001 to £60,000	2	1
£60,001 to £65,000	2	1
£65,001 to £70,000	0	1
£70,001 to £75,000	1	0
£75,001 to £80,000	3	1
£80,001 to £85,000	0	0
£85,001 to £90,000	0	1
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	0	0
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	0	0
£140,001 to £145,000	0	0
£145,001 to £150,000	0	0
	<b>16</b>	<b>15</b>

The tables above show those employed by Redditch and Bromsgrove Councils both of which are recharged at 50% to each other with the exception of the Housing Services post, which is charged 100% to Redditch Borough Council.

## Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:  
Total Rent Arrears  
Redditch Borough Council

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	3	0	8	34	11	34	£62,280	£185,193
£20,001 - £40,000	1	0	2	1	3	1	£83,408	£22,773
£40,001 - £60,000	0	0	1	0	1	0	£52,375	£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 - £200,000	1	0	0	0	1	0	£189,507	£0
<b>Total cost included in bandings</b>							<b>£387,570</b>	<b>£207,966</b>

The total cost of £207,966 in the table above for 2014/2015 includes £58,259 for exit packages that have been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

## Bromsgrove District Council

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	1	0	9	20	10	20	£91,153	£250,627
£20,001 - £40,000	0	0	2	0	2	0	£67,088	£0
£40,001 - £60,000	0	0	1	0	1	0	£43,776	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	1	0	1	0	£90,389	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
<b>Total cost included in bandings</b>							<b>£292,406</b>	<b>£250,627</b>

The total cost of £250,627 in the table above for 2014/2015 includes £191,415 for exit packages that have been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

## Note 31 External Audit Costs

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

	2014/15	2013/14
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	85	77
Fees payable for the certification of grant claims and returns for the year	12	19
Refunds & Rebates re previous years	-8	-17
	<b>89</b>	<b>79</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 32 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

	2014/15	2013/14
<b>Credited to Taxation and Non-Specific Grant Income</b>	£000	£000
Revenue Support Grant	2,267	2,897
Other Government Grants	791	545
Capital Grants	768	409
<b>Total</b>	<b>3,826</b>	<b>3,851</b>

	2014/15	2013/14
<b>Credited to Services</b>	£000	£000
Cabinet Office -IER	54	10
DCLG - Council Tax Support Admin Subsidy	108	108
DWP - Benefit Schemes	41	50
DWP - Discretionary Housing	85	126
DWP - Housing Benefit Subsidy	24,594	24,283
DWP - Housing Benefit Subsidy Admin Grant	399	468
Environment Agency	7	0
Forestry Commission	8	9
Sport England Lottery Funding	31	29
Worcestershire County Council - Areas of Highest Need	40	80
Worcestershire County Council - Bus Grant	41	12
Worcestershire County Council - Choose How You Move	43	46
Worcestershire County Council - ELF	280	209
Worcestershire County Council - Sports	52	
<b>Unusable Reserves</b>	<b>25,783</b>	<b>25,430</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

### Long-term Liabilities

Grants Received in Advance (Capital)	2014/15	2013/14
	£000	£000
Warmer Worcestershire	-17	-17
	<b>-17</b>	<b>-17</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 33 Related Parties

#### 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.

#### Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 32.

#### Members

Members of the council have direct control over the council's financial and operating policies . The total of members allowances paid in 2014/15 is shown in Note 35. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

During 2014/15, many Redditch Borough Councillors were also County Councillors and/or elected members of the parish council.

The Council awarded grants totalling £101,660 to the Citizens Advice Bureau, in which two members have an interest. In this instance, proper consideration was given to the declarations of interest.

#### Officers

There were no disclosures made by officers in 2014/15.

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

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £573k for hosting Environmental Health and Licensing.

As part of the shared services with Bromsgrove District Council, Redditch Borough Council received £2,763K for services it hosted and paid £2,678K for services hosted by Bromsgrove.

The Council has been involved in shared service arrangements for Markets, Economic Development and Land Drainage with Wyre Forest District Council. The Council has paid £344k to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove and Wyre Forest for the provision of Building Control. Redditch Borough Council paid Bromsgrove District Council £132k for this service.

For the provision of Car Park Services, the Council paid £97k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £92k to Worcester City Council.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 34 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), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2014/15	Restated 2013/14
	£000	£000
Opening Capital Financing Requirement	<b>139,127</b>	<b>138,773</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	10,613	9,393
Investment Properties	28	20
Intangible Assets	130	34
Heritage Assets	0	0
Other	0	0
Revenue Expenditure Funded from Capital under Statute	514	422
	<b>11,285</b>	<b>9,869</b>
<b>Sources of finance</b>		
Capital receipts	(4,267)	(672)
Government grants and other contributions	(580)	(443)
Other Contributions	0	0
Major Repairs Allowance	(5,998)	(7,476)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions:		
General	(54)	(58)
HRA	(387)	0
[MRP/loans fund principal]	(964)	(866)
	<b>(12,250)</b>	<b>(9,515)</b>
Closing Capital Finance Requirement	<b>138,162</b>	<b>139,127</b>



<b><i>Explanation of movements in the year</i></b>		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	(965)	354
<b><i>Increase/(decrease) in Capital Financing Requirement</i></b>	<b>(965)</b>	<b>354</b>

***The opening capital financing requirement in 2013/14 has been restated to reflect £98.929m housing revenue account self financing settlement completed in 2011/12.***

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 35 Leases

#### Operating and Finance Leases

##### Council as Lessor:

##### *Finance Leases (Council as lessor)*

The Council has leased out property at Threadneedle House to the Post Office on a financing lease with a remaining term of 17 years. Due to the imminent sale of Threadneedle House, the lease will be transferred to the purchaser in 2015/16.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2014/15	2013/14
	£000	£000
<b>Finance lease debtor (net present value of minimum lease payments):</b>		
- current	376	386
Unearned finance income	398	433
Unguaranteed residual value of property	61	61
<b>Gross investment in the lease</b>	<b>835</b>	<b>880</b>

The maximum gross investment in the lease and the maximum lease payments that could be received over the following periods:

	Gross investment in the lease		Minimum lease payments	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
No later than 1 year	46	46	46	46
Later than 1 year and no later than 5 years	184	184	184	184
Later than 5 years	605	650	544	589
<b>Gross investment in the lease</b>	<b>835</b>	<b>880</b>	<b>774</b>	<b>819</b>

##### *Operating Leases (Council as lessor)*

The Council has no operating leases.

##### Council as Lessee:

##### *Finance Leases (Council as lessee)*

The Council currently has no finance leases.

##### *Operating Leases (Council as lessee)*

The Council has acquired part of its fleet of motor vehicles by entering into operating leases. The original term of 5 years expired and was renewed on 01/05/14 on a vehicle by vehicle basis, for up to 21 months.

The Rubicon Centre is leased with a remaining lease period of just over 2 years. This is a business centre sub-let to small businesses.

The Council also leases photocopiers and other office equipment.

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to these leases are:-

	2014/15	2013/14
	£000	£000
Minimum lease payments	865	461
Less: Sublease payments receivable	(143)	(121)
	<b>722</b>	<b>340</b>

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

	2014/15	2013/14
	£000	£000
Minimum lease rentals payable:		
No later than 1 year	360	224
Later than 1 year and no later than 5 years	505	237
Later than 5 years	0	0
	<b>865</b>	<b>461</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### **Note 36      Impairment Losses**

There are no impairment losses that require reporting. A third of assets have been revalued in the year and there are a number of assets that have a revaluation loss but not an impairment. In the case of Council dwellings there has been a reversal of revaluation losses that were charged through the Consolidated Income and Expenditure account in previous years but not as a result of an impairment.

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 37 Defined Benefit Pension Schemes

#### Retirement Benefits

##### Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- (ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Worcestershire County Council. Policy is determined in accordance with the Public Service Pensions Act 2013.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory

##### 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	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	2,153	2,550	0	0
Past service cost	168	324	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	2,085	2,408	170	145
<i>Purchases</i>				
	<b>4,406</b>	<b>5,282</b>	<b>170</b>	<b>145</b>
<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(6,070)	3,124	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	862	0	16
Actuarial gains and losses arising on changes in financial assumptions	20,665	(11,539)	361	(116)
Other	44	(5,151)	0	558
<i>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</i>	<b>19,045</b>	<b>(7,422)</b>	<b>531</b>	<b>603</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

	<b>(4,406)</b>	<b>(5,282)</b>	<b>(170)</b>	<b>(145)</b>
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	<b>3,557</b>	<b>3,541</b>		
Retirement benefits payable to pensioners			<b>283</b>	<b>279</b>

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present value of the defined obligation	147,457	123,400	4,168	3,920
Fair value of plan assets	(83,859)	(75,290)	0	0
	<b>63,598</b>	<b>48,110</b>	<b>4,168</b>	<b>3,920</b>
Other movements in the liability (asset)	0	0	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>63,598</b>	<b>48,110</b>	<b>4,168</b>	<b>3,920</b>

**Net Pension Liability and Pension Strain**

	2014/15 £000	2013/14 £000
Local Government Pension Scheme	63,598	48,110
Discretionary Benefits	4,168	3,920
Pension Strain Liability	418	418

**Long Term Liability recorded in the Balance Sheet**

	2014/15 £000	2013/14 £000
	<b>68,184</b>	<b>52,448</b>

**Reconciliation of movements in the fair value of scheme assets**

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	75,290	75,516	0	0
Interest income	3,371	3,171		0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	6,070	(3,124)		
Administration Expenses	(44)	(43)		
The effect of changes in foreign exchange rates				
Contributions from employer	3,557	3,541	283	279
Contributions from employees into the scheme	699	694		
Benefits/transfers paid	(5,084)	(4,465)	(283)	(279)
<b>Closing value of scheme assets</b>	<b>83,859</b>	<b>75,290</b>	<b>0</b>	<b>0</b>

**Reconciliation of present value of the scheme liabilities:**

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	123,400	134,589	3,920	3,596
Current service cost	2,153	2,550		
Interest cost	5,456	5,579	170	145
Contributions from scheme participants	699	694		
Total Rent Arrears				
Actuarial (gains)/losses from changes in demographic assumptions		862		16
Actuarial (gains)/losses from changes in financial assumptions	20,665	(11,539)	361	(116)
Other (if applicable)		(5,194)		558
Past service cost	0	49		
Losses/(gains) on curtailments where relevant	168	275		
Liabilities assumed on entity combinations				
Benefits/transfers paid	(5,084)	(4,465)	(283)	(279)
Liabilities extinguished on settlements (where relevant)	0	0		
<b>Balance as at 31 March</b>	<b>147,457</b>	<b>123,400</b>	<b>4,168</b>	<b>3,920</b>

**Local government pension scheme assets comprised:**

	Fair value of scheme assets	
	31/03/2014	31/03/2015
	£000	£000
Cash and cash equivalents	1,807	1,342
Equities:		
<i>by industry type</i>		
UK Quoted	19,500	18,616
Overseas Quoted	27,105	32,117
PIV UK Managed funds	8,809	8,554
PIV UK Managed funds - (overseas equities)	12,874	17,107
PIV Overseas Managed Funds	452	671
Information technology	0	0
sub-total equity	<b>68,740</b>	<b>77,065</b>
Bonds:		
<i>by sector</i>		
UK Corporate	527	587
Overseas Corporate	4,216	4,864
sub-total bonds	<b>4,743</b>	<b>5,451</b>
<b>Total assets</b>	<b>75,290</b>	<b>83,858</b>

**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 Public Sector Advisory Services, an independent firm of actuaries, estimates for the Worcestershire County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15	2013/14	2014/15	2013/14
<b>Mortality assumptions:</b>				
<i>Longevity at 65 current pensioners:</i>				
Men	23.4	23.3	23.4	23.3
Women	25.8	25.7	25.8	25.7
<i>Longevity at 65 for future pensioners:</i>				
Men	25.6	25.5	25.6	25.5
Women	28.1	28.0	28.1	28.0
<b>Financial assumptions:</b>				
Rate of inflation	2.0%	2.4%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%	3.5%	3.9%
Rate of increase in pensions	2.0%	2.4%	2.0%	2.4%
Discount Rate	3.3%	4.6%	3.3%	4.6%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	2,946	(2,946)
Rate of inflation (increase or decrease by 0.1%)	2,779	(2,779)
Rate of increase in salaries (increase or decrease by 0.1%)	569	(569)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,729)	2,729

#### Asset and Liability Matching Strategy

The pensions committee at Worcestershire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (91% of scheme assets) and bonds (6%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

#### 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 next triennial valuation is due to be completed on 31 March 2016 with any changes in contribution rates effective from 1st April 2017.

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

The Authority anticipates to pay £3.7m expected contributions to the scheme in 2015/2016.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### **Note 38 Contingent Liabilities**

#### **Contingencies**

##### NNDR Appeals

The Council has made a provision for NNDR appeals of £2.729million based on its best estimates of the actual liability as at the year-end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.

##### Personal Search Fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £70,247 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-cooperative behaviour. It is not clear what the value of this claim would be as against the Council. It is possible that additional claimants might come forward to submit claims for refunds, but none have been intimated at present.

##### Equal pay claims

The council has received indications of equal pay claims from employees although only one formal claim has been lodged to date. There are likely to be other equal pay claims put forward once the Job Evaluation process is completed and implemented but it is currently difficult to assess the likely number of claims that may be forthcoming, their value or the likelihood of such claims being successful.



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Note 39 Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in 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 authority'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 out in the Annual Investment Strategy. Fitch Ratings is an international credit rating agency (one of three nationally recognised rating agencies alongside Moody's and Standard & Poor's). Fitch Ratings long-term credit ratings are set up along a scale from 'AAA' to 'D' where 'AAA' designates the best quality companies, reliable and stable through to 'D' where the company has defaulted on obligations and Fitch believes that it will generally default on all or most of its obligations. Fitch's short term ratings indicate the potential level of default within a 12 month period. F1+ is the best quality grade, indicating

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

Financial Asset Category	Minimum Criteria (Fitch ratings)
Term Deposits	Long Term: A- & Short Term: F1
Deposits up to 3 months	Short-Term: F2
Deposits with Debt Management Account – Deposit Facility	

\* Investments with the DMADF are guaranteed by HM Treasury.

At 31st March 2015, Redditch Borough Council had no investments.

The Authority does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2015 is shown in the table below:

	31/03/2015
	£000
Less than three months	1,224
Three to six months	81
Six months to one year	97
More than one year	438
	<b>1,840</b>

**Liquidity Risk**

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority 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 financial liabilities is summarised as follows:

Purchases	31/03/2015
	£000
Less than one year	9,000
Between one & five years	0
More than five years	111,479
	<b>120,479</b>

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

Included within the long-term borrowing is a £5m loan due to mature in 2032 with an interest rate of 4.71%. The fair value of this loan is £6,128,866 at 31st March 2015. In addition, the Council has borrowings of £98,929,000 in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of maturities lasting between 12 and 27 years and its fair value is currently £105,351,046.

As at 31st March 2015, the Council had fully repaid the interest free Salix Energy Efficiency Loan, taken out in 2010/11.

**Interest Rate Risk**

The Authority 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 authority. 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 of 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. The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2014/15, the Council had no variable rate investments or borrowings.

**Price Risk**

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

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 40 Trust Funds

The Authority acts as a co-trustee for the Paolozzi Mural Fund. The funds of this trust do not represent the assets of the Authority and therefore have not been included in the Balance Sheet.

	Income £000	Expenditure £000	Assets £000	Liabilities £000
<b>2014/15</b>	1		137	
<b>2013/14</b>	1		136	
<b>Total</b>				

The Redditch Development Corporation, whilst building the Kingfisher Centre in Redditch, commissioned a set of 12 murals from Sir Eduardo Paolozzi CBE RA. The murals are displayed in Milward Square in the Kingfisher Shopping Centre. The trust deed requires the owners of the Kingfisher Centre to clean, maintain and insure the murals. The purpose of the trust is to ensure that the murals remain in Milward Square and can be readily viewed by the public. When the trust was created, a fund was set aside for the maintenance of the murals. The mural fund balance, now held by Redditch Borough Council, currently amounts to £137,000, earning interest of £640 in 2014/15.

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Housing Revenue Account for the year ended 31st March

	2014/15	2013/14
	£000	Restated £000
<b>Income</b>		
Dwelling rents	23,871	23,416
Non-dwelling rents	473	501
Charges for services and facilities	262	297
Contributions towards supported housing costs	533	813
<b>Total Income</b>	<b>25,139</b>	<b>25,027</b>
<b>Expenditure</b>		
Repairs & Maintenance	4,903	4,618
Supervision & Management:	5,195	4,927
Rents, Rates, Taxes and other charges	127	194
Depreciation of non-current assets	5,999	5,978
Debt Management Costs	20	35
Movement in the allowance for bad debts	205	181
Revaluation (gain)/loss and impairment of non current assets	(1,509)	1,073
Other - Subsidy limitation	0	97
<b>Total Expenditure</b>	<b>14,940</b>	<b>17,103</b>
<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(10,199)</b>	<b>(7,924)</b>
HRA Services Share of Corporate & Democratic Core	587	688
<b>Net Expenditure of HRA Services</b>	<b>(9,612)</b>	<b>(7,236)</b>
Purchases		
(Gains)/loss on sale of HRA Fixed Assets	(604)	(658)
Interest Payable and Similar Charges	4,174	4,137
HRA Interest and Investment Income	(55)	(66)
Net interest on the defined benefit liability (asset)	893	801
Capital Grants and Contributions		
<b>Surplus or (Deficit for Year) on HRA Services</b>	<b>(5,204)</b>	<b>(3,022)</b>

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Adjustments between accounting basis and funding basis

#### Movement on the HRA Statement

	2014/15	2013/14
	£000	£000
<b>Balance on the HRA at the end of the previous year</b>	1,032	817
Surplus or (Deficit) on the HRA Income and Expenditure Statement	5,204	3,022
Adjustments between accounting basis and funding basis under stature	(2,156)	693
Net Increase or (Decrease) before transfers to or from reserves	3,048	3,715
Transfers (to)/from Reserves	(3,048)	(3,500)
<b>Increase or (decrease) on the HRA for the year</b>	<b>0</b>	<b>215</b>
<b>Balance on the HRA at the end of the current year</b>	<b>1,032</b>	<b>1,032</b>

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0	0
Transfers to/from the Capital Adjustment Account	4,490	7,051
Gain or loss on sale of HRA non current assets	(604)	(658)
HRA Share of Contributions to or from the Pension Reserve	291	278
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	53	
Purchases	(5,999)	(5,978)
Unusable Reserves	0	0
Capital expenditure funded by the HRA	(387)	0
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(2,156)</b>	<b>693</b>

**Transfers to/from Reserves**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Transfers (to)/from earmarked reserves	(3,048)	(3,500)
Transfers (to)/from Capital Grants Unapplied		
<b>Total Transfers</b>	<b>(3,048)</b>	<b>(3,500)</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### HRA Non Current Assets

	Property, Plant & Equipment (PP&E)					TOTAL
	Council Dwellings	Land	Buildings	Total PP&E	Assets Held for Sale	
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
Balance as at 1 April 2014	208,042	0	3,322	211,364	237	211,601
Adjustments between cost/value & depreciation/impairment		0	0	0		0
Adjusted opening balance	208,042	0	3,322	211,364	237	211,601
Additions	9,741			9,741		9,741
Revaluation increases/decreases to Surplus or Deficit on the Provision of Derecognition - Disposals	(4,796)		306	(4,490)		(4,490)
Derecognition - Other	(1,458)	0		(1,458)		(1,458)
Derecognition - Other				0		0
Reclassifications & Transfers				0	(157)	(157)
<b>Balance as at 31 March 2015</b>	<b>211,529</b>	<b>0</b>	<b>3,628</b>	<b>215,157</b>	<b>80</b>	<b>215,237</b>
<b>Depreciation and Impairment</b>						
Balance as at 1 April 2014	0	0	12	12	0	12
Adjustments between cost/value & depreciation/impairment		0	0	0		0
Adjusted opening balance	0	0	12	12	0	12
Depreciation Charge	5,987	0	12	5,999		5,999
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(5,987)	0	(12)	(5,999)		(5,999)
<b>Balance as at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>12</b>
<b>Net Book Value</b>						
<b>Purchases</b>	<b>211,529</b>	<b>0</b>	<b>3,616</b>	<b>215,145</b>	<b>80</b>	<b>215,225</b>
<b>Unusable Reserves</b>	<b>208,042</b>	<b>0</b>	<b>3,310</b>	<b>211,352</b>	<b>237</b>	<b>211,589</b>

	Council Dwellings	Property, Plant & Equipment (PP&E)			Assets Held for Sale	TOTAL
		Land	Buildings	Total PP&E		
		£000	£000	£000		
<b>Cost or Valuation</b>						
<b>Balance as at 1 April 2013</b>	208,466	0	3,544	<b>212,010</b>	<b>237</b>	<b>212,247</b>
Adjustments between cost/value & depreciation/impairment		0	(235)	<b>(235)</b>		<b>(235)</b>
Adjusted opening balance	208,466	0	3,309	<b>211,775</b>	<b>237</b>	<b>212,012</b>
Additions	8,160	0	0	<b>8,160</b>		<b>8,160</b>
Donations	0	0	0	<b>0</b>		<b>0</b>
Revaluation increases/decreases to Revaluation Reserve	(7,052)	0	13	<b>(7,039)</b>		<b>(7,039)</b>
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	0	<b>0</b>		<b>0</b>
Derecognition - Disposals	(1,532)	0	0	<b>(1,532)</b>		<b>(1,532)</b>
Derecognition - Other	0	0	0	<b>0</b>		<b>0</b>
Reclassifications & Transfers	0	0	0	<b>0</b>	0	<b>0</b>
Reclassified to Held for Sale	0	0	0	<b>0</b>		<b>0</b>
Reclassified from Held for Sale	0	0	0	<b>0</b>		<b>0</b>
<b>Balance as at 31 March 2014</b>	<b>208,042</b>	<b>0</b>	<b>3,322</b>	<b>211,364</b>	<b>237</b>	<b>211,601</b>
<b>Depreciation and Impairment</b>						
<b>Balance as at 1 April 2013</b>	0	0	0	<b>0</b>		<b>0</b>
Adjustments between cost/value & depreciation/impairment		0	0	<b>0</b>		<b>0</b>
Adjusted opening balance	0	0	0	<b>0</b>	0	<b>0</b>
Depreciation Charge	5,966	0	12	<b>5,978</b>		<b>5,978</b>
Depreciation written out on Revaluation Reserve	(7,039)	0	0	<b>(7,039)</b>		<b>(7,039)</b>
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,073	0	0	<b>1,073</b>		<b>1,073</b>
Impairment losses/reversals to Revaluation Reserve	0	0	0	<b>0</b>		<b>0</b>
Impairment losses/reversals to Surplus or Deficit on the Provision of Services		0	0	<b>0</b>		<b>0</b>
Derecognition - Disposals	0	0	0	<b>0</b>		<b>0</b>
Derecognition - Other	0	0	0	<b>0</b>		<b>0</b>
Reclassifications & Transfers	0	0	0	<b>0</b>	0	<b>0</b>
Eliminated on reclassification to Held for Sale	0	0	0	<b>0</b>		<b>0</b>
<b>Balance as at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>12</b>
<b>Net Book Value</b>						
<b>Balance as at 31 March 2014</b>	<b>208,042</b>	<b>0</b>	<b>3,310</b>	<b>211,352</b>	<b>237</b>	<b>211,589</b>
<b>Balance as at 31 March 2013</b>	<b>208,466</b>	<b>0</b>	<b>3,544</b>	<b>212,010</b>	<b>237</b>	<b>212,247</b>



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Notes to the Housing Revenue Account

#### Housing Stock

The number of dwellings in the Authority's housing stock, as at 31 March 2015, totalled 5911 properties. The type of properties were as follows:

	2014/15	2013/14
	No.	No.
<b>Property Type</b>		
Low Rise Flats (Blocks up to and incl. 2 Storey)		
1 Bed	1,559	1,560
2 Bed	557	561
3 Bed	30	30
<b>Sub-Total</b>	<b>2,146</b>	<b>2,151</b>
Non-permanent	43	43
	0	0
<b>Sub-Total</b>	<b>43</b>	<b>43</b>
Houses/Bungalows		
1 Bed	660	661
2 Bed	910	914
3 Bed	1,980	2,002
Purchases	172	173
<b>Unusable Reserves</b>	<b>3,722</b>	<b>3,750</b>
<b>Total Dwellings 31 March 2015</b>	<b>5,911</b>	<b>5,944</b>

#### Major Repairs Reserve (England)

The movement on the Major Repairs Reserve during the year ended 31 March 2015 is summarised below:

	2014/15	2013/14
	£000	£000
Balance at 1 April	12	1,510
Depreciation on Dwellings	5,987	5,966
Voluntary Transfers from the HRA	12	12
Capital expenditure on HRA Land, Houses and Other Property	(5,998)	(7,476)
Balance at 31 March	<b>13</b>	<b>12</b>

**Housing Revenue Account Capital Expenditure**

	2014/15	2013/14
	£000	£000
<b>Capital investment</b>		
Operational assets	9,741	8,160
	<b>9,741</b>	<b>8,160</b>
<b>Sources of funding</b>		
Capital Receipts	3,109	673
Major Repairs Reserve	5,999	7,476
Government grants and other contributions	<b>246</b>	<b>11</b>
Direct Revenue Financing	387	0
	<b>9,741</b>	<b>8,160</b>

**Rent Arrears**

During 2014/15 total rent arrears increased by £31,000 . A summary of rent arrears and prepayments is shown in the following table:

	2014/15	2013/14	Change
	£000	£000	£000
Current Tenant Arrears	659	676	(17)
Former Tenant Arrears	357	309	48
Total Rent Arrears	<b>1,016</b>	<b>985</b>	<b>31</b>
Prepayments	(447)	(418)	(29)
Net Rent Arrears	<b>569</b>	<b>567</b>	<b>2</b>

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

	2014/15		2013/14	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,987	0	5,966	0
Other Land and Buildings	12	0	12	0
Vehicles, Plant, Furniture and Equipment	0	0	0	0
Infrastructure and Community Assets	0	0	0	0

Depreciation continues to be calculated on the basis of the major repairs allowance.

**Transactions relating to retirement benefits**

	£000	£000
Land	-	-
Council Houses	2,070	2,247
Other Property	-	-
<b>Total</b>	<b>2,070</b>	<b>2,247</b>

In 2014/15 the Council sold 41 Council homes under the right to buy scheme compared with 43 in 2013/14.

**Restated Accounts - Contributions towards supported housing costs**

Income relating to supported housing costs has been included in the Housing Revenue Account. In previous years the income and an equal amount of expenditure was included in other housing services. In 2013/14 the income was primarily supporting people grant. This grant reduced substantially in 2014/15 and in order for the service to remain viable a review was undertaken reducing expenditure and introducing a supporting housing charge payable by residents receiving the service.

## Redditch Borough Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

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

2013/14			2014/15			
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			<b>INCOME</b>			
	(35,981)	(35,981)	Council Tax Receivable		(38,275)	(38,275)
(34,349)		(34,349)	Business Rates Receivable	(36,146)		(36,146)
<b>(34,349)</b>	<b>(35,981)</b>	<b>(70,330)</b>	<b>Total amounts to be credited</b>	<b>(36,146)</b>	<b>(38,275)</b>	<b>(74,421)</b>
			<b>EXPENDITURE</b>			
			<b>Apportionment of Previous Year Surplus/Deficit</b>			
		0	Central Government	(625)		(625)
	36	36	Billing Authority	(500)	37	(463)
	177	177	County Council	(113)	183	70
	13	13	Fire Authority	(13)	13	0
	30	30	Police Authority		32	32
			<b>Precepts, demands and shares</b>			
17,803		17,803	Central Government	17,723		17,723
14,242	4,984	19,226	Billing Authority	14,178	5,272	19,450
3,205	24,717	27,922	County Council	3,190	26,117	29,307
356	1,752	2,108	Fire Authority	354	1,851	2,205
	4,251	4,251	Police Authority		4,494	4,494
			<b>Business Rate Supplement:</b>			
			<b>Charges to Collection Fund</b>			
356			Write-offs of uncollectable amounts	90	11	101
168	63	231	Increase/(decrease) in allowance for impairment	144	443	587
134	195	329	Increase/(decrease) in allowance for appeals	2,459		2,459
1,128		1,128	Transitional Protection Payments Payable	72		72
318		318	Charge to General Fund for allowable collection costs for non-domestic rates	111		111
<b>112</b>		<b>112</b>	<b>Total amounts to be debited</b>	<b>37,070</b>	<b>38,454</b>	<b>75,523</b>
<b>38,178</b>	<b>36,218</b>	<b>74,040</b>				
<b>3,829</b>	<b>237</b>	<b>3,710</b>	<b>(Surplus)/deficit arising during the year</b>	<b>924</b>	<b>179</b>	<b>1,102</b>
0	(663)	(663)	Surplus/(deficit) b/f at 1 April 2014	3,829	(426)	3,403
<b>3,829</b>	<b>(426)</b>	<b>3,403</b>	<b>(Surplus)/deficit c/f at 31 March 2015</b>	<b>4,753</b>	<b>(247)</b>	<b>4,506</b>

## Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2015

### Note 1 - Council Tax Income

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

#### FOR THE YEAR ENDED 31 MARCH 2015

Band		Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
A(disabled)				14	12.75	5/9	7.08	849.84
A	Up to & including	40,000		7,492	4,030.88	6/9	2,687.25	1,019.81
B		40,001	- 52,000	11,734	8,623.14	7/9	6,706.89	1,189.78
C		52,001	- 68,000	7,154	6,076.21	8/9	5,401.08	1,359.75
D		68,001	- 88,000	4,223	3,838.50	9/9	3,838.50	1,529.72
E		88,001	- 120,000	3,075	2,887.83	11/9	3,529.57	1,869.66
F		120,001	- 160,000	1,120	1,067.70	13/9	1,542.23	2,209.60
G		160,001	- 320,000	437	419.40	15/9	699.00	2,549.53
H	More Than		320,001	17	16.00	18/9	32.00	3,059.44
				35,266	26,972.41		24,443.60	
						Adjustment	0.99	
						Council tax base	24,199.17	

#### FOR THE YEAR ENDED 31 MARCH 2014

Band		Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
A(disabled)				13	11.75	5/9	6.53	833.66
A	Up to & including	40,000		7,313	3,796.79	6/9	2,531.19	1,000.42
Band		40,001	- 52,000	11,496	8,336.94	7/9	6,484.28	1,167.15
		52,001	- 68,000	7,144	6,018.34	8/9	5,349.63	1,333.87
D		68,001	- 88,000	4,249	3,849.80	9/9	3,849.80	1,500.60
E		88,001	- 120,000	3,113	2,921.79	11/9	3,571.08	1,834.09
F		120,001	- 160,000	1,101	1,052.74	13/9	1,520.63	2,167.55
G		160,001	- 320,000	430	410.86	15/9	684.76	2,501.02
H	More Than		320,001	16	15.00	18/9	30.00	3,001.22
				34,875	26,414.01		24,027.90	
						Adjustment	0.99	
						Council tax base	23,787.62	

### Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2014/15 the amount was 48.2p and 47.1p for small businesses (47.1p and 46.2p for small businesses in 2013/14). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 11. The total rateable value @ 31 March 2015 was £84,291,283 (31 March 2014 = £84,263,323).

**Redditch Borough Council**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

**Responsibilities for the Statement of Accounts****The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Finance & Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts by the date specified by the Secretary of State.

**Approval by the Council**

I certify that the above Statement of Accounts was approved by Council at its meeting held on XX September 2015

Signed on behalf of Redditch Borough Council

**Councillor Bill Hartnett**

**XX September 2015**

**The Executive Director (Finance & Resources) Responsibilities**

The Executive Director (Finance & Resources) is responsible for the preparation of the Council's

In preparing the Statement of Accounts, the Executive Director (Finance & 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 of Practice.

The Executive Director (Finance & Resources) has also:

- made judgements and estimates that were reasonable and prudent;
- made judgements and estimates that were reasonable and prudent;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Certification of the accounts by the Executive Director (Finance & Resources)**

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that by signing this statement the Statement of Accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.



**J Pickering CPFA**

**Executive Director (Finance & Resources)**

Date: 6th July 2015

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2015

### Glossary

#### AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial

commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

#### AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk.

They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

#### A FITCH RATING

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

#### ACCOUNTING PERIOD

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

#### ACCRUALS

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

#### ACTUARIAL GAINS AND LOSSES

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

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

The actuarial assumptions have changed

#### ASSET

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

A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible, e.g. a community centre, or intangible, e.g. computer software licences.

#### ASSET

#### ASSET

An independent examination of the Authority's financial affairs.

**BALANCE SHEET**

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

**BORROWING**

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

**BUDGET**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

**CAPITAL RECEIPT**

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

**CLAW-BACK**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

**CONSISTENCY**

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

**CONTINGENT ASSET**

Total Rent Arrears

confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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



**EXPECTED RETURN ON PENSION ASSETS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

**INFRASTRUCTURE ASSETS**

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

**INTANGIBLE ASSETS**

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

**INTEREST COST (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

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

**LIABILITY**

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

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

**LIQUID RESOURCES**

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

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

**LONG-TERM CONTRACT**

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

**MATERIALITY**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NET BOOK VALUE**

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

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**NON-OPERATIONAL ASSETS**

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

**OPERATING LEASE**

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

**OPERATIONAL ASSETS**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

**PROVISION**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RATEABLE VALUE**

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

**RELATED PARTIES**

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

**RELATED PARTY TRANSACTIONS**

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

**REMUNERATION**

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

**RESERVES**

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

**RESIDUAL VALUE**

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

**RETIREMENT BENEFITS**

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

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)**

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

**REVENUE SUPPORT GRANT**

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

**STOCKS**

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

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****THE INTERNAL AUDIT PROGRESS REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

**1. SUMMARY OF PROPOSALS**

1.1 To present:

- The progress report of internal audit work with regard to the 2015/16 audit work.
- The progress report of internal audit work with regard to the residual 2014/15 audit work

**2. RECOMMENDATIONS**2.1 **The Committee is asked to RESOLVE that the report be noted.****3. KEY ISSUES****Financial Implications**

3.1 There are no direct financial implications arising out of this report.

**Legal Implications**

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

**Service / Operational Implications**

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

- 3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

This section of the report provides commentary on Internal Audit's performance for the period 01<sup>st</sup> April 2015 to 31<sup>st</sup> July 2015 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (23<sup>rd</sup> April 2015):

2014/2015 AUDITS FINALISED

- 3.4 Payroll

The audit found overall the payroll operates very well and numerous checks are run to ensure the completeness and accuracy of information. In particular any additions and deletions to employee payments were supported by documentation and payments processed in accordance with HRMC rules. Isolated weaknesses in a small number of areas existed and these included, controls regarding authorisation of leaver forms, self employment status and signed contracts.

Articulating written procedures is an ongoing project and to date 80% has been completed. Although this has not been fully implemented Audit acknowledges the work that has been completed to date and have not reiterated the recommendation.

Current Status: Final Report issued 15<sup>th</sup> May 2015  
Assurance: Significant

- 3.5 Creditors

Internal Audit testing identified that some goods and services are procured without an initial order being assigned to the purchase and therefore the invoice is received without a formal purchase order which can lead to over expenditure as the money has been committed and the budget maybe exhausted. The audit identified some weaknesses in the monitoring of late payments and noted information relating to supplier amendments and additions should be fully recorded and the information filed systematically so that it can be easily accessed. Current procedures have been in place for a considerable period of time and were implemented on the basis of "business need".

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

Current Status: Final Report issued 15<sup>th</sup> May 2015

Assurance: Significant

**3.6 Risk Management**

The audit was a critical review of the risk management process. The Redditch Borough Council Risk Management process has been clearly set out and there is a good recording system in place using 4Risk. However, the vision of actively using Risk Management to help manage the strategic and operational risks requires more embedding.

Although management have a clear understanding of the Risk Management process, the process has not been fully embraced, and in its current form is just a recording mechanism for some risks to the organisation.

Current Status: Final Report issued 30<sup>th</sup> June 2015

Assurance: N/A – Critical review

**3.7 Budget Setting (Transformation Arrangements)**

This audit was a review of the process in regard to the Redditch Borough Council budget setting process. It considered whether it had been clearly set out in the form of a timetable and outlined the roles and responsibilities of individual officers. During discussions between audit and the budget holders it was apparent that they were aware of the issues facing the authority corporately and that efforts are made to improve working practices through transformation so that services operate with greater efficiency.

Although this review did not highlight any material weakness that would affect the achievement of the key objective of setting the budget, the review identified areas that would improve the overall performance of the system including reconsideration of the timetable, a training plan, understanding stakeholder requirements in regard to the presentation of the budget report, and, management look to link finances with the strategic purposes of Redditch Borough Council.

Current Status: Final Report issued 30<sup>th</sup> June 2015

Assurance: N/A – Critical review

**3.8 Corporate Governance - Appointments to Outside Bodies**

The audit was a risk based limited scope audit of Member appointments to outside bodies as operated by Redditch Borough Council.

Internal Audit confirmed that a review of outside bodies is underway and this will confirm that member appointments are still appropriate. There is a formal

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

appointment process in place and guidance is provided to members via 'The Protocol for Appointment to Outside Bodies'. The audit found, however, there is no requirement for Members to formally report on their appointments which does not provide the opportunity for information to be cascaded to other Members which is particularly important regarding Local Enterprise Partnerships (LEP's) and the potential future development in this area.

Current Status: Final Report issued 16<sup>th</sup> July 2015  
Assurance: Significant

**3.9 ICT - Change control**

This was a critical review audit. The aim of this audit was to assess and challenge Redditch Borough Council's system of internal control over ICT change management.

The review found ICT change control is a reactive process and although risks are assessed they are not recorded as part of proposed changes that have been undertaken. There is no requirement for a back-out plan to account for system change failure, or any indication if the system change was successful in achieving a required goal. This has resulted in the authority recording all changes so a trail exists of what has happened and when each task was completed. This approach has resulted in a lack of a formal process to manage change control leading to management challenge in the areas of policy and procedure and, current system requirements.

Current Status: Final Report issued 16<sup>th</sup> July 2015  
Assurance: N/A – Critical review.

**3.10 Main Ledger**

The audit was a risk based systems audit of the Main Ledger system as operated by Redditch Borough Council.

The audit found weaknesses which could effect the control environment which included the updating of financial regulations, staff changes, suspense accounts and non-completed reconciliations. However, the Council is aware of these points and no additional recommendations in relation to these areas were made. It should be noted that these areas, to varying degrees, pose a risk to the Council and have been taken into account in the overall assurance level given.

Current Status: Final Report issued 1<sup>st</sup> July 2015  
Assurance: Moderate



24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

**3.11 Regulatory Services**

The review was a full system audit concentrating on the controls in place for licensing. The review did not cover any other service delivered by Worcestershire Regulatory Services other than licensing. Hackney Carriage and Taxi licensing were excluded from the 2014/15 testing other than the follow up of the recommendations made in the 2013/14 audit report.

The audit identified weaknesses in the design and / or inconsistent application of controls in many of the areas reviewed therefore assurance is limited to the few areas of the system where controls are in place and are operating effectively. A considerable amount of data cleansing has taken place following the migration of all licencing data across to the new system and work is still on going to reconcile licences issued against income received by each district. Following further testing in the 2014/15 audit it was found that there are still a number of issues to be resolved before this can be successful and full assurance can be given that all income due has been processed correctly.

Under the Shared Service Legal agreement and the Statement of Partner Requirements it was agreed that Worcestershire Regulatory are not responsible for handling income. However under current day to day working practices a pragmatic approach has been adopted as some customers continue to send payment direct to Worcestershire Regulatory Services. In order to meet customer needs and statutory licensing timescales these payments are accepted and forwarded to the districts in order to be receipted and banked. Payments are also received direct via districts or by licensing officers whilst undertaking licencing duties and/holding licensing surgeries in partner offices.

Audit testing identified instances where it was difficult to identify payments within financial ledgers in some districts due to insufficient referencing and in a small number of cases incorrect coding. Licences examined were found to be granted in line with legislation and with local policies where relevant, for all types tested. All those reviewed had been renewed when due, however, some were found where a sundry debtor account could not be traced potentially resulting in loss of income. Following the relocation move to Kidderminster Worcestershire Regulatory Services will continue to monitor closely licensing processing times to ensure statutory deadlines continue to be met.

Due to the inconsistencies and weaknesses identified in the receipting of income Worcestershire Regulatory Services management board agreed that partner Section 151 officers would explore options in relation to Worcestershire Regulatory Services receipting/keeping income. A meeting

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

took place on the 17th July 2015 to discuss the options in order to decide the best way forward so that control issues and weaknesses are resolved. This is in progress and being explored further.

For Worcestershire Regulatory Services enforcement action is undertaken on an intelligence led basis as far as allowed by legislation.

Current position: Final report 24th August 2015  
Assurance level: Limited

Summary of assurance levels:

<b>2014/15</b>	
Payroll	Significant
Creditors	Significant
Risk management	N/A – Critical review
Budget Setting (Transformation arrangements)	N/A – Critical review
Corporate Governance	Significant
ICT	N/A – Critical review
Main ledger	Moderate
Regulatory Service	Limited

### 3.12 2015/16 AUDIT WORK WHICH IS ONGOING

Although work on the following audits is continuing draft reports have been issued. As soon as a management response is received and the audits finalised notification of their outcome will be brought before committee for consideration. Audits include:

Stores Intervention  
Members Allowances  
Leisure – Consumables, Equipment and Goods for Resale

Audit work is also continuing in respect of the following 2015/16 audits:

Treasury Management  
Section 106's  
Safeguarding  
Reconciliation Process  
Agency Resource

The outcomes of these audits will be reported to the January 2016 Committee.

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

**3.13 AUDIT DAYS**

The table in Appendix 1 shows the progress made towards delivering the 2015/16 Internal Audit Plan and achieving the targets set for the year. As at 31<sup>st</sup> July 2015 a total of 126 days had been delivered against an overall target of 400 days for 2015/16. The target days to the end of the quarter are in line with the target figure for the year as part of the key performance indicators for the service.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Committee on the 23rd April 2015 for 2015/16 and include an additional two indicators and management indicators.

Appendix 3 shows the tracking of completed audits.

Appendix 4 shows the 'high' and 'medium' priority recommendations for finalised which are reported to the Committee for information.

**3.14 OTHER KEY AUDIT WORK**

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

The Worcestershire Internal Audit Shared Service (WAISS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

**3.15 Monitoring**

To ensure the delivery of the 2015/16 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Service Manager remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

**3.16 Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

**4. RISK MANAGEMENT****4.1 The main risks associated with the details included in this report are:**

- Failure to complete the planned programme of audit work within the financial year; and,
- The continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

**5. ANTI FRAUD AND CORRUPTION SURVEY AND GOVERNANCE STATEMENT ASSURANCE CHECKLIST STATEMENTS**

On an annual basis Internal Audit coordinate co-ordinate the returns in regard to the anti-fraud and corruption survey as well as the Authority's internal control framework assurance which is reported as part of the Annual Governance Statement.

**5.1 Assurance Checklist Statements:**

It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.

In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist all Fourth Tier Managers are asked to complete an internal control checklist

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti-Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.

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 are operating effectively except where reported otherwise.

All of the Annual Governance Statement Assurance Checklist Statements are reviewed by internal audit and any areas that present a significant and/or material risk are reported to Committee and would be included in the Annual Governance Statement.

**5.2 Anti-Fraud and Corruption Survey**

The Survey is carried out annually and the results reported to the s151 Officer. The survey reports on many different areas including Housing and Council Tax Benefit fraud, housing tenancy fraud, Right to Buy fraud, Council Tax discount and reduction fraud, Non Domestic Rates fraud, procurement fraud, insurance claims fraud, debt fraud, pensions fraud, payroll, expenses and investments fraud. It also surveys what the authority's resource is for tackling fraud.

**6. APPENDICES**

- Appendix 1 ~ Internal Audit Plan delivery 2015/16
- Appendix 2 ~ Key performance indicators 2015/16
- Appendix 3 ~ Tracking analysis of previous audits
- Appendix 4 ~ 'High' and 'Medium' priority recommendations

**7. BACKGROUND PAPERS**

Individual internal audit reports.

**8. KEY**

N/a

**AUTHOR OF REPORT**

Name: Andy Bromage  
Service Manager - Worcestershire Internal Audit Shared Service  
Tel: 01905 722051  
E Mail: andy.bromage@worcester.gov.uk

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2015/16**  
**1<sup>st</sup> April 2015 to 31<sup>st</sup> July 2015**

Audit Area	DAYS USED TO 31/07/15	Forecasted days to the 30 <sup>th</sup> Sept 2015	2015/16 PLAN DAYS
Core Financial Systems (see note 1)	0	7	94
Corporate Audits(see note 2)	30	69	60
Other Systems Audits	80	67	192
<b>TOTAL</b>	<b>110</b>	<b>143</b>	<b>346</b>
Audit Management Meetings	9	5	20
Corporate Meetings / Reading	2	2	9
Annual Plans and Reports	2	3	12
Audit Committee support	3	4	13
Other chargeable	0	0	0
<b>TOTAL</b>	<b>16</b>	<b>14</b>	<b>54</b>
<b>GRAND TOTAL</b>	<b>126</b>	<b>157</b>	<b>400</b>

**Note 1**

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts.

**Note 2**

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters

24<sup>th</sup> September 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

## APPENDIX 2

**Key Performance Indicators (KPIs) for 01<sup>st</sup> April 2015 to 31<sup>st</sup> July 2015**

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	<b>KPI</b>	<b>Trend requirement</b>	<b>2012/13 Year End Position</b>	<b>2013/14 Year End Position</b>	<b>2014/15 Year End Position</b>	<b>2015/16 Position (as at July 2015)</b>	<b>Frequency of Reporting</b>
1	No. of high recommendations	Downward	12	21	3	None to report	Quarterly
2	No. of moderate or below assurances	Downward	10	12	9	None to report	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	4 (7 returns; 4 excellent & 3 good)	None to report	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered = 29	Target = 29 Delivered = 29	Target = 24 Delivered = 24	Target = 16 (minimum) Delivered = 3 are at draft stage	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	31.6%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	79%	Quarterly

WIASS operates within and seeks to conform to the Public Sector Internal Audit Standards.

## **AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

### **Planned Follow Ups:**

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

To provide the Audit Board with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions will be reported to the Committee immediately.

For some audits undertaken each year 'follow-ups' may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the over all work load and are assessed by the Lead Auditors.

Follow up in connection with the core financials is undertaken as part of the routine audits that were performed during quarter 3.



REDDITCH BOROUGH COUNCIL

24<sup>th</sup> September 2015

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
Land Charges	18th July 2014	Head of Legal, Democratic and Equality Services	Moderate	2 "high" priority recommendations in relation to fees and charges and income reconciliation	Due to preparation of final accounts and training required on main ledger this has been delayed. 06/07/2015		
Planning Fees	3rd September 2014	Head of Planning and Regeneration	Moderate	2 "medium" priority recommendations in relation to security of cheques and pre planning application advice charges	Both recommendations have been implemented. Noted that during the course of testing that ledger coding errors were evident. Very small number of annual transactions & management agreed to inform staff of correct ledger codes - June 15 <b>No further follow up is required.</b>		
Planning Enforcement	3rd September 2014	Head of Planning and Regeneration	Significant	1 "medium" priority recommendation re the need to update the Planning Enforcement policy	Policy has been reviewed & next review date now included - July 15 <b>No further follow up is required.</b>		
Data Security, Publication and Disposal	9th September 2014	Head of Transformation and Organisation Development/ Executive director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code			

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
DFGs and HRA grants	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium priority recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office.	Dec 15	
Rent Arrears	27th October 2014	Head of Housing Services	Significant	1 "medium" priority to ensure procedure manual is updated to reflect change in procedures.	Followed up in June 15. The 1 medium recommendation is ongoing, due to significant developments in working arrangements within the service. These are expected to be completed early 2016, with procedural guidance updated to cover the new working arrangements by March 16.	Mar-16	

**REDDITCH BOROUGH COUNCIL**

24<sup>th</sup> September 2015

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
Golf Course	28th November 2014	Leisure Services Manager	Limited	6 "medium priority recommendations made in relation to income reconciliations, security to systems and takings, the need to clarify procedures in relation to refunds and performance management	Followed up completed in July 15. All recommendations have now been satisfactorily implemented. <b>No further follow up required.</b>		
Procurement	18th November 2014	Financial Services Manager	Significant	3 "medium" priority recommendations made in relation to ensuring value for money is obtained, contracts are relate at the appropriate times and that there is a clear procurement protocol in relation to procurement rules.	Followed up in June/ July 15. 1 medium priority recommendation concerning the updating of the contracts register has been implemented. 2 medium priority recommendations concerning the updating of the procurement guidance and the provision of training to staff on good procurement practice have not yet been implemented. Expected implementation of recommendations will be December 15.	Jan-16	
Reddicard concessions	11th February 2015	Leisure Services Manager	Moderate	2 "medium" priority recommendations made to ensure there is effective stock control of all concession cards and that independent checks are carried out when fees are updated at the start of each	Aug-15		

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
				financial year.			
Asset Management	20th November 2014	Head of Customer Access and Financial support	Significant	1 "medium" priority re terms of reference for Joint Asset Management Group	May-15 Currently under consideration in regard to work plan to deploy most efficient use of resource.		
Housing Repairs and Maintenance	22nd January 2015	Head of Housing Services	Moderate	4 "medium" priority recommendations to ensure that sufficient stock control, outstanding jobs are monitored, contractor performance is reviewed and retention is held back where applicable.	Jul-15 Currently under consideration in regard to work plan to deploy most efficient use of resource.		
Forge Mill	6th February 2015	Leisure Services Manager	Moderate	7 "medium" priority recommendations made re the need to ensure that stock is controlled, inventories are up to date, there are sufficient controls and separation of duties around receipting of income and access to safes are restricted.	Follow up undertaken 6 <sup>th</sup> August. 3 Recommendations implemented, 3 recommendations in progress in relation to stock reconciliation, inventory and fees& charges. One recommendation is not currently actioned; this is in relation to separation of duties in cashing up	November 2015 - *Forge Mill closes end of November due to seasonal trading*	

**REDDITCH BOROUGH COUNCIL**

24<sup>th</sup> September 2015

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
					process. A second follow up to be undertaken in 3 months		
Cash Receipting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" and 1 "medium" priority recommendations re the need to ensure a PCIDSS certificate is obtained and that the suspense account is reviewed and cleared.	Will be followed up as part of the 2015/16 Payroll Audit		
Payroll	15th May 2015	Financial Services Manager and Human resources & Organisational Development Manager	Significant	2 "medium" priority recommendations were made in relation to leaver's forms authorisation and submission to the payroll section.	Will be followed up as part of the 2015/16 Payroll Audit		
Corporate Governance - appointments to outside Bodies	16th July 2015	Head of legal Equalities and Democratic Services and Democratic Services Manager	Significant	1 "medium" priority recommendation re reporting of Members Appointment to Outside Bodies via the Members Annual Report.	Dec-15		
Risk Management	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Oct-15		

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
Budget Setting	30th June 2015	Executive Director and (Finance Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15		
Main Ledger	1st July 2015	Financial Services Manager	Moderate	3 "medium" priority recommendations were made in relation to VAT returns, Reconciliations and Feeder Systems	Will be followed up as part of the 2015/16 Main ledger Audit		
ICT	16th July 2015	Head of Transformation and Organisational Development, ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15		

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

**APPENDIX 4**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

<b>Priority</b>	<b>Definition</b>
<b>High</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>Medium</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>Low</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>



## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

---

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Audit: Payroll</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> This was a full systems audit that covered the security of sensitive payroll data, segregation of duties, additional employee payments/deductions and amendments to payroll data.					
1	Medium	<p><b><u>Leaver Forms are not Received</u></b>                      1 out of the 6 leaver forms had not been received by the payroll department which resulted in an overpayment being made. This was subsequently recovered. At the time of the audit (November 2014) the leaver form had not been submitted even though the employee had left in May 2014. A quarterly establishment report is sent to managers and this could highlight any discrepancies.</p>	<p>There is a risk that the employee may be owed or owe money. Lead to financial loss and reputation damage.</p>	<p>Human Resources to request the manager completes a leaver form as soon as possible for employee so that Payroll Team can be satisfied that the employee payroll has been closed down accurately. As no leaver form has been completed payroll are unaware of any further adjustments that maybe required for this employee.</p> <p>Human Resources to emphasise at the bi monthly Managers Forum meeting the importance of completing leaver forms in a timely manner.</p> <p>In the event of the non completion of leaver forms the responsibility is to be reviewed within the current leaver's procedures.</p>	<p>An email to be sent to all 4<sup>th</sup> tier managers (copied to Internal Audit) requesting that a termination form is completed in a timely manner for all leavers, with an explanation as to the consequences should this not happen. In addition that managers check they are signed off by managers with the appropriate authority.</p> <p><b>Responsible Manager:</b>                      Acting Human Resources &amp; Organisational Development Manager</p> <p><b>Implementation date:</b>                      Immediate (March 2015)</p>
2	Medium	<p><b><u>Leaver Forms Authorised by Managers without Appropriate Delegation</u></b>                      A review of six leaver forms identified that two had been signed by</p>	<p>Inaccurate information is processed as forms are</p>	<p>Only appropriately authorised forms in accordance with the</p>	<p>An email to be sent to all 4<sup>th</sup> tier managers (Copied to Internal Audit) requesting that a</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		managers who did not have the authority as per the authorised signatory list.	not completed by delegated individuals. Leading to possible financial losses.	signatory list are to be processed by the Payroll Team. Prior to processing leaver forms refer to the Oracle Redditch to check if the manager has delegated authority. Unauthorised forms should not be processed and be returned and completed by an individual with the appropriate delegation.	<p>termination form is completed in a timely manner for all leavers, with an explanation as to the consequences should this not happen.</p> <p>In addition that managers check who is on the authorisation sheet and update as appropriate and then check to ensure that all forms are only signed off by managers with the appropriate authority.</p> <p><b>Responsible Manager:</b> Acting Human Resources &amp; Organisational Development Manager</p> <p><b>Implementation date:</b> Immediate (March 2015)</p>
<b>Audit: Creditors</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> This was a full systems audit that concentrated on the creditors system from the point where the order was raised to the final payment.					
1	Medium	<p><b><u>System notes for late payments</u></b> A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Redditch Borough Council orders from the reports from the Cedar and Agresso respectively.</p> <p>Testing identified 1 out of 15 invoices had not been paid within 30 days of the invoice being received within the creditor office. No reasoning on the system existed to explain the delay.</p>	<p>Potential Reputation damage, financial loss through late payment charges.</p> <p>Possible loss of prompt payment discounts and impaired relations with suppliers.</p>	<p>The council need to ensure Creditors are paid within 30 days from the date of receipt of the invoice in line with Redditch Borough Council's payment terms.</p> <p>Any known reasons for the delay must be recorded on the system to fully document the reasons for the late payment and to evidence the actions the Council has taken</p>	<p><b>Responsible Manager:</b> Financial Services Manager</p> <p>Agreed. Where possible this is already done. Reminder to be issued to the Payment's Team to ensure if a known reason for a late payment an explanation is entered on account.</p> <p><b>Implementation date:</b> Immediate for notes on account.</p> <p>October 2015 for quarterly monitoring</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				to resolve any disputed invoices.  The Finance Section to monitor late payment reports on a quarterly basis and to report any consistent late payment issues with appropriate senior personnel.	
2	Medium	<p><b>Budgetary control</b> A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Redditch Borough Council orders from the reports from the Cedar and Agresso respectively.</p> <p>Testing identified in 1 out of the 15 cases the invoice date was prior to the date the order was placed on the system. Therefore, the budget could have been overspent and result in a deficit.</p>	The council pays for unapproved and unauthorised orders leading to the possibility of fraud / financial loss.	Where possible fully completed and authorised purchase orders are to be raised in advance of a commitment to purchase being made in all cases.	<p><b>Responsible Manager:</b> Financial Services Manager</p> <p>A further reminder to be issued to all service areas; the council is also in the process of writing to all suppliers stating invoices will not be accepted without a valid order. In addition the council are part way through introducing “auto-matching” on invoices so therefore this will encourage service areas to ensure valid orders are raised in advance. This exercise will be concluded over the next 3 months.</p> <p><b>Implementation date:</b> Reminder to be issued immediately re the need to raise an order in advance</p>
<b>Audit: Corporate Governance</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> This audit was a limited scope audit of Members Appointments to Outside Bodies.					
1	Medium	<p><b>Annual reports</b> There are no formal reporting requirements (e.g. annual report) for members to report their service on</p>	Members not sufficiently informed and this may lead to poor decision	It would be good practice for members to report back (e.g. via the members newsletter) in	Agreed – we will implement a process for enabling reports back to be made.

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		Outside Bodies.	making	relation to their service on outside bodies. In addition to providing updates to other members, a report/briefing report could also be used as part of the assessment by the Council when it considers the merits of continuing to make appointments to Outside Bodies	<b>Responsible Manager:</b> Democratic Services Manager  <b>Implementation date:</b> 30th November 2015
<b>Audit: Main Ledger</b>					
<b>Assurance: Moderate</b>					
<b>Summary:</b> This was a full systems audit that concentrated on the main ledger procedures.					
<b>Issues brought forward from previous audit</b>					
1	Medium	<u>VAT Returns</u> The VAT Returns are completed by the Financial Services Manager.	Inefficient use of officer's time leading to unnecessary pressure resulting in non completion of returns and cash flow issues.	A clear training programme to be established to skill up a member of the Accountancy Team to undertake this function in the future.	New Accounting Technician appointed who will undertake this role. <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> End of July 2015
<b>New matters arising</b>					
2	Medium	<u>Reconciliations</u> At the 31 <sup>st</sup> March 2015 some reconciliations were not up to date. This was due to systems issue rather than an issue with the reconciliation team resources.  However no recent assessment has been undertaken of how often reconciliations need to be undertaken.	Inefficient use of resources causing work loads to become unmanageable placing undue stress on officers resulting in long term absences leading to financial loss	Once the year end has been completed all financial reconciliations carried out to be reviewed and an assessment undertaken of how often they need to be completed.  For example Integrated system reconciliations may only be required once a year for final accounts. Interfaced reconciliations could be quarterly or half yearly depending on the	Reconciliations to year end 2014/15 are now up to date. A plan to be prepared to enable staff to complete reconciliations on time and when due.  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> End of August 2015

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				<p>risk/materiality of the system.</p> <p>Where differences are found then the frequency of reconciliation needs to be increased until the reasons for the differences have been investigated and where required changes to procedures made.</p> <p>This will help to allocate the reconciliation teams resources to those areas that pose the greatest risk to the Council.</p>	
3	Medium	<p><u>Feeder systems</u> Although the accountancy section is aware of all the feeder systems the council has this is not documented anywhere.</p>	<p>Lack of resilience/inefficient working which could lead to financial loss and reputation damage.</p>	<p>To help provide resilience in times of long term absences and to provide a basis for the highlighting of potential system efficiency savings when resources allow all feeder systems into the main financial system to be mapped and documented. This will also provide a basis for future system change projects.</p>	<p>Processes and procedures to be mapped on reconciliations from feeder systems to ensure the accounts reflect a true and accurate position.</p> <p><b>Responsible Manager:</b> Financial Services Manager</p> <p><b>Implementation date:</b> November 2015</p>
<b>Audit: Worcester Regulatory Services</b>					
<b>Assurance: Limited</b>					
1	High	<p><b><u>Reconciliation of Licenses granted to income received under the Licensing Act 2003</u></b></p> <p>During previous audits of Licensing it was reported that there was no full and successful reconciliation of payments received by districts to</p>	<p>Failure in systems potentially leading to financial loss to partners and illegal licence operations</p>	<p>To be read in conjunction with point 4 below.</p> <p>The process used to be reviewed and a clear agreement sought on</p>	<p><b>Responsible Manager:</b> District Finance Officers and WRS Licensing and Support Services Manager.</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Licenses granted. At the time, there were significant issues experienced with the integrity of the data held on the new system (Uniform) following data migration from all former licensing systems.</p> <p>A major data cleansing exercise has since taken place and reports produced and forwarded to districts for the reconciliation to be undertaken. Following a review during the 2014/15 audit it was ascertained that this is not yet complete and there are still issues to be resolved for example income records not agreeing to licensing records.</p>	across the districts.	<p>expectations of Districts in relation to receipting of all licensing income.</p> <p>An effective reconciliation to be undertaken so that Premises Licence income received under the Licensing Act 2003 can be effectively reconciled.</p>	<p><b>Implementation date:</b></p> <p>September 2014 onwards. WRS have produced a yearly register of all premises licenses district by district held within their database (September/October 14) and shared each with the relevant district.</p> <p>New sundry debtor template has been added to licensing database to ensure districts are informed of new premises to be invoiced and/or any changes/transfers as necessary.</p> <p>Outstanding queries relating to data not matching are being worked through on a case by case basis.</p>
2	High	<p><b><u>Payment for Licences granted</u></b></p> <p>Testing was carried out on the following licences:</p> <ul style="list-style-type: none"> <li>• Alcohol licences (Premise and Personal)</li> <li>• Animal establishments (Pet shop and Boarding)</li> <li>• Temporary events notice.</li> </ul> <p>Payments could not be traced for all licences examined due to a number of reasons:</p> <ul style="list-style-type: none"> <li>• Insufficient referencing in financial ledgers to identify individual payments to applications.</li> </ul>	Failure in systems potentially leading to financial loss to partners and illegal licence operations across the districts.	<p>To be read in conjunction with point number 1 above.</p> <p>Districts in conjunction with Worcestershire Regulatory Services to review and consider systems in place to ensure effective control of all income so that all payments can be traced in the financial ledgers. Testing has identified that the current working arrangements are clearly not working. This should include consideration to:</p> <ul style="list-style-type: none"> <li>• Reviewing who should be</li> </ul>	<p><b>Responsible Manager:</b></p> <p>District Finance Officers in consultation with WRS Licensing and Support Services Manager.</p> <p><b>Implementation date:</b></p> <p>To be determined by District Finance Teams and Section 151 Officers in conjunction with Worcestershire Regulatory Services.</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<ul style="list-style-type: none"> <li>Lack of proof of payment for cheques received directly by Regulatory Services (a consistent approach not applied and not all districts forward receipts).</li> <li>Out of a sample of ten Licencing Act 2003 Premises licences sundry debtor accounts could not be found for two of them. Sundry Debtor accounts have since been raised for the two licences identified.</li> <li>Varying standards of payment notification to Regulatory for those payments received direct by districts.</li> <li>Some incorrect coding of income found.</li> </ul> <p>In most cases there was a note on the licencing file to say payment had been received however due to the lack of audit trail and insufficient referencing in the financial ledgers payments could not be systematically and directly traced for several cases.</p>		<p>responsible for the handling and receipt of payments so that there is a clear and consistent approach. This may mean revisiting the Shared Service legal agreement and Statement of Partner Requirements.</p> <ul style="list-style-type: none"> <li>There is sufficient information provided on receipt of payment and this is input to ensure all payments can easily be identified to applications in the financial ledgers.</li> <li>Where a request is sent by Regulatory Services to a district to raise a Sundry Debtor account whether it is necessary to introduce a process where confirmation of action is provided.</li> </ul> <p>This will aid in the process of reconciling income received to the service/licence provided for each authority.</p>	
3	Medium	<p><b><u>Performance monitoring</u></b></p> <p>Performance reports were not available from former licensing systems to ensure all licenses are being processed within</p>	Failure to ensure licences are awarded in accordance with statutory laid down timescales.	Performance Monitoring to be tabled at the Worcestershire Shared Service Joint Management Board to discuss	<p><b>Responsible Manager:</b></p> <p>WRS Licensing and Supports Services Manager.</p>

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

---

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>agreed/statutory deadlines.</p> <p>It was planned once Uniform was up and running performance monitoring reports would be generated to ensure license delivery times are satisfactory and within agreed/statutory deadlines. Following further discussions as part of the 2014/15 it was found that this is currently possible.</p> <p>Target dates for all licences for which statutory timescales apply are noted on files/Uniform and it is the responsibility of individual Licensing Officers to ensure these are met.</p> <p>Audit testing for 2014/15 showed that all licences examined had been awarded within statutory timescales.</p>		<p>and decide on Partner requirements and how this will be satisfied/reported upon.</p>	<p><b>Implementation date</b></p> <p>Quarterly reports will be designed and introduced by October 2015.</p>
end					



**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 24<sup>TH</sup> SEPT 2015****INDEPENDENT MEMBER PERFORMANCE REPORT**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 To update members on the role of the Independent Member and for Members to consider any changes to the role.

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to note the update and to make any suggestions for changes to the role.**

**3. KEY ISSUES****Financial Implications**

- 3.1 There are no financial implications as a direct result of this report.

**Legal Implications**

- 3.2 The Council has a statutory responsibility to comply with financial regulations.

**Service / Operational Implications**

- 3.3 Section 4 of the Audit, Governance & Standards Committee Procedure Rules state that the Committee can appoint a number of people as non-voting co-optees. The role of the Independent Member on the Committee has been in place since January 2014 and was initially for a trial 12 month period. The role was established to support good governance for the Audit, Governance and Standards Committee and is seen as a model of good practice for Local Government. Mr Dave Jones was successful in securing the role following a formal recruitment process.

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 24<sup>TH</sup> SEPT 2015**

- 3.4 In September 2014 this Committee discussed the role and due to the active and positive contribution Mr Jones had made to the Committee it was approved that;
- the role of Independent Member on the Audit, Governance and Standards Committee be made permanent, with the role being subject to a four-year term of office and Independent Members being permitted to serve a maximum of two consecutive four-year terms of office;
  - Mr Jones be appointed to the role of Independent Member on the Committee for a four-year term of office with immediate effect, and that his appointment be subject to review during his fourth year of office; and
  - Officers take back to the Committee proposals relating to required attendance at meetings by Independent Members and arrangements for reviewing Independent Member performance
- 3.5 This report seeks to inform Members of the key responsibilities of the role and to advise the Committee of the work Mr Jones has undertaken in meeting these responsibilities since January 2015.
- To review the effectiveness of the Council's risk management framework and internal control environment, including overseeing:
    - risk management strategies
    - anti-fraud arrangements
  - *As Risk Champion Mr Jones has regular updates with Heads of Service and the Director of Finance and Resources to ensure the registers reflect the key risks associated with the delivery of services across the organisation. In addition Mr Jones gives updates to the Committee at each meeting in relation to risk and any anti-fraud arrangements. Mr Jones has raised a number of issues during his time undertaking this role which have been taken on board when officers have considered the risk registers.*
  - To monitor the effectiveness of the Council's financial and non-financial performance to the extent that it affects exposure to risk and poor internal control.
    - *Mr Jones has actively sought assurance over the performance management framework and the resources within finance to ensure the accounts are prepared in a more timely manner next financial year.*
  - To provide independent assurance to the Council in relation to the annual Statement on Internal Control/Governance Statement.
    - *Mr Jones has been actively engaged with this Committee and has asked challenging questions around the assurance levels of the Governance. In addition he has referred to other Local Authorities Governance Statements to*

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 24<sup>TH</sup> SEPT 2015**

*ensure Redditch Borough Council reflects best practice and has made recommendations to the Director of Finance of improvements.*

- To review and approve the annual statement of accounts, confirming the appropriate accounting policies have been followed, including the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
  - *Prior to the Statement of Accounts Briefing Mr Jones had a separate meeting with the Financial Services Manager to interpret and understand the Accounts and to raise a number of queries. I*
- To monitor and review the activity and effectiveness of both Internal and External Audit.
  - *Mr Jones has been actively engaged with this Committee and has asked challenging questions to both External and Internal Audit in relation to performance and reporting.*

3.6 It is not proposed that a set number of meetings to attend to prescribed by the Committee as the performance of the role would dictate that attending meetings would be required. Should the Committee wish to specify a number of meetings that are required the role responsibilities will be updated.

**Customer / Equalities and Diversity Implications**

3.7 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

4.1 None as a direct result of this report.

**AUTHOR OF REPORT**

Name: Jayne Pickering  
E Mail: [j.pickering@bromsgrove&redditch.gov.uk](mailto:j.pickering@bromsgrove&redditch.gov.uk)  
Tel: 01527-881207



## AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 24TH SEPTEMBER 2015 MEETING

Ref	Action/Issue	Origin	Lead Officer/ Member	Priority/ timescale	Officer Response/Action Status
1	<p><b>Anti-Fraud and Corruption Survey – recommendations arising/further work completed</b></p> <p>Following the Committee’s consideration of Internal Audit’s Annual Report 2014/15, Officers confirmed that they would take back to Members a report on work undertaken on any recommendations arising from completion of the Survey and further work completed as part of the audit programme in this area.</p>	Minute No. 14 of 02.07.15 meeting	Andy Bromage	24.09.15 meeting	<p>Details in this regard will be included in Internal Audit’s Progress Report to the 24.09.15 meeting.</p> <p><b>Action completed - remove from Action List.</b></p>
2	<p><b>Councillor Thain’s re-appointment as lead fraud Member on the Committee and appointment of second lead fraud and risk Members</b></p> <p>Officers to check whether Councillor Thain happy to continue in role for 2015/16 Municipal Year. Second lead fraud and risk appointments to be considered at 24.09.15 meeting.</p>	Minute No. 13 of 02.07.15 meeting	Jayne Pickering / Committee	24.09.15 meeting	<p>i) Cllr Thain has confirmed to Officers that he is happy to continue as Lead Fraud Member on the Committee for the 2015/16 Municipal Year.</p> <p>ii) It is no longer proposed that second Lead Fraud and Risk Members be appointed on the Committee and that Councillor Thain and Mr Dave Jones alone continue in their appointed roles.</p> <p><b>Subject to the Committee’s approval not to appoint second lead fraud and risk Members, action completed – remove from Action List.</b></p>

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 24TH SEPTEMBER 2015 MEETING

3	<p><b>Data Protection – Risk Registers</b> Officers to advise if data protection sufficiently covered within relevant risk registers.</p>	<p>Minute No. 10 of 02.07.15 meeting.</p>	<p>Deb Poole</p>	<p>24.09.15 meeting</p>	<p>Officers have responded as follows:</p> <p>All staff receive data protection training to ensure that they are aware of the Data Protection Act (DPA) and how it applies to their day to day activities. The training is usually tailored to the particular service to ensure their individual service needs are covered. The Council also has an Information Management team within ICT who coordinate all responses received via the DPA and Freedom of Information legislation. The team also ensure that the Council liaises with the Information Commissioner to ensure best practice.</p> <p>If Members wish to see data protection included in all departmental risk registers Officers suggest that this is picked up as an action that all staff will receive data protection and freedom of information training on a regular basis.</p> <p><b>Do Members wish to see data protection included in all departmental risk registers?</b></p> <p><b>Dependent on Members’ wishes in this regard, action completed – remove from Action List.</b></p>
---	---	---	------------------	-------------------------	---

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 24TH SEPTEMBER 2015 MEETING

4	<p><b>Grant Thornton ‘Getting Things Right: Members’ Governance Training’</b> Officers to circulate event details to all Members.</p>	Minute No.9 of 02.07.15 meeting.	Debbie Parker-Jones	24.09.15 meeting	<p>Details of the training event, which took place on 08.09.15, were emailed to all Councillors and Mr Dave Jones on 09.07.15 and 14.08.15.</p> <p><b>Action completed – remove from Action List.</b></p>
5	<p><b>Feckenham Parish Council representation on the Committee</b> Officers to liaise with Parish Council Clerk regarding future representation on the Committee and to report back to Members.</p>	Minute No. 5 of 02.07.15 meeting.	Debbie Parker-Jones	24.09.15 meeting	<p>Feckenham Parish Council Representative and Deputy Representative positions filled by the Parish Council.</p> <p><b>See details in separate Monitoring Officer’s Report.</b></p> <p><b>Action completed – remove from Action List.</b></p>
6	<p><b>Working age people in receipt of housing benefit</b> Officers to provide the Committee with data relating to working age people who had been in receipt of housing benefit over preceding couple of years. Monthly charts for this data also to be included in future Benefits Investigations reports.</p>	Minute No. 12 of 02.07.15 meeting	Amanda de Warr & Shona Knight	24.09.15 meeting	<p>Requested data emailed to Members on 09.07.15.</p> <p>As detailed in the attached revised Committee Work Programme, it is proposed that there will in future be an annual Benefits Investigations report referred to the Committee in April of each year. Officers will email Members of the Committee with ongoing data in between annual reports, which will include data on working age people in receipt of housing benefit.</p> <p><b>Action completed – remove from Action List.</b></p>

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 24TH SEPTEMBER 2015 MEETING

7	<p><b>Grant Thornton Audit Plan 2014/15 – Officer responses on minor IT control weaknesses &amp; other key issues identified by the external auditors</b></p> <p>Regarding the minor control weaknesses identified which had been shared with the Council’s IT manager, and which Officers were due to respond to the external auditors on, it was agreed that Officers would advise Members as to what action had been taken in this regard and what action remained outstanding.</p> <p>Officers also to update Members on actions undertaken or planned on any other key issues identified by the external auditors.</p>	Minute No.’s 55 of 23.04.15 and 7 of 02.07.15 meeting.	Jayne Pickering & Deb Poole	All meetings with effect from September 2015	<p>A report on this will be referred to each meeting of the Committee from September onwards – please see Committee Work Programme.</p> <p>As this will in future be a standing agenda item this entry will now be removed from the Action List.</p> <p><b>Remove from Action List.</b></p>
8	<p><b>Corporate dashboard of measures</b></p> <p>Officers to report on the corporate dashboard of measures.</p>	Minute No.’s 37 of 22.01.15, 53 of 23.04.15 and 7 of 02.07.15 meetings.	Deb Poole & Rebecca Dunne	28.01.16 meeting	<p>Officers will be reporting on this at the 28.01.16 meeting.</p> <p><b>Retain on list for January meeting.</b></p>



**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**

2nd July 2015

**WORK PROGRAMME****28th January 2016****Standards**

- Monitoring Officer's Report
- Feckenham Parish Council Report

**Governance**

- External Audit – Progress Report
- Scrutiny of External Auditor's Audit Plan 2014/15 recommendations and any key issues identified in External Audit Progress Reports
- External Audit – Grant Claims Certification Work Report
- External Audit – Annual Audit Letter
- Single Fraud Investigation Service presentation
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2016/17
- Corporate Dashboard of Measures
- Internal Audit – Progress Report
- Internal Audit – Draft Annual Audit Plan 2016/17

**Monitoring**

- Corporate Risk Register including risk
- Debt Recovery Update Report (Quarters 1 and 2)
- Portfolio Holder Update (Quarterly Budget Monitoring)
- S151 Officer Savings Report
- Committee Action List and Work Programme

**21st April 2016****Standards**

- Monitoring Officer's Report
- Feckenham Parish Council Report

**Governance**

- External Audit – Progress Report
- Scrutiny of External Auditor's Audit Plan 2014/15 recommendations and any key issues identified in External Audit Progress Reports
- External Audit – Audit Plan 2015/16
- External Audit – Audit Fee Letter 2016/17
- External Audit – Auditing Standards 2015/16 (Communication with the Audit and Governance Committee and Executive)
- Internal Audit – Progress Report
- Internal Audit – Final Annual Audit Plan 2016/17
- Accounting Standards (Statement of Accounting Policies)

**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**2nd July 2015

---

**Monitoring**

- Corporate Risk Register including risk
- Benefits Investigations Annual Report
- Portfolio Holder Update (Quarterly Budget Monitoring)
- S151 Officer Savings Report
- Committee Action List and Work Programme
- Annual Review of the Operation of the Committee (Chair's oral report) and Annual Review of the Committee's Procedure Rules (Minute No. 4 of 28th June 2012 meeting refers)
- Calendar of Meetings 2016/17

**July 2016 (meeting date not yet set)****Standards**

- Monitoring Officer's Report (including memberships of Hearing Sub-Committees)
- Feckenham Parish Council Report
- General Dispensations Report (to the first meeting of the Committee following any local elections)

**Governance**

- Annual Governance Statement 2015/16
- External Audit – Progress Report (including oral update on Value for Money Conclusion)
- Scrutiny of External Auditor's Audit Plan 2014/15 and/or 2015/16 recommendations and any key issues identified in External Audit Progress Reports
- Internal Audit – Annual Report 2015/16 (including review of effectiveness of Internal Audit – no separate Progress Report to this meeting)

**Monitoring**

- Corporate Risk Register including risk
- Debt Recovery Update Report (Quarters 3 and 4)
- Portfolio Holder Update (Quarterly Budget Monitoring)
- S151 Officer Savings Report
- Committee Action List and Work Programme

[Note: Copies of the draft Annual Accounts and Annual Governance Statement will be sent to all members of the Committee at the same time these are issued to the External Auditors. A briefing on the Statement of Accounts will also take place for all members of the Committee in early/mid-September 2016, prior to the Committee's formal consideration of the Statement at the meeting in late September.]

**AUDIT, GOVERNANCE AND  
STANDARDS COMMITTEE**2nd July 2015

---

**September 2016 (meeting date not yet set)****Standards**

- Monitoring Officer's Report
- Feckenham Parish Council Report

**Governance**

- External Audit – Audit Findings Report 2015/16
- Audited Statement of Accounts 2014/15 (including final Annual Governance Statement)
- Scrutiny of External Auditor's Audit Plan 2014/15 and/or 2015/16 recommendations and any key issues identified in External Audit Progress Reports
- Internal Audit – Progress Report

**Monitoring**

- Corporate Risk Register including risk
- Portfolio Holder Update (Quarterly Budget Monitoring)
- S151 Officer Savings Report
- Committee Action List and Work Programme

**Meeting date to be determined**

- Review of the operation of the Protocol on Member-Officer relations (following consideration by the Constitution Review Working Party).
- Review of the operation of the Protocol on Member-Member relations (following consideration by the Constitution Review Working Party).

**January or April 2018 meeting**

- Review of Independent Member Appointment (prior to expiry of current 4-year term of office in July 2018 - Minute No. 22 of 25th September 2014 meeting refers).

