

**Redditch Borough Council  
Statement of Accounts  
2013/14**

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# **Explanatory Foreword**

## **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 before we're out of the water.

Sharing our services with Bromsgrove District Council six years ago has left us in a stronger position to deal with such troubling economic times but we still have a long way to go. However, we continue to remain positive and make inventive savings wherever possible so that we can carry on celebrating the very best of Redditch.

This year in particular marks a number of special celebrations, including giving Freedom of the Borough to 37 Signal Regiment and the 50th Anniversary of Redditch New Town. Our focus on successfully working with partners and other organisations, such as the Town Centre Partnership (TCP), mean that our residents can still enjoy celebrating these events.

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**

### **About Redditch**

Designated a New Town in 1964, Redditch has successfully mixed the old with the new. This compact borough of 54 square miles and 80,000 people is set within the beautiful county of Worcestershire. Redditch is at the heart of the British motorway network with the M42 junctions, just five miles from the town, providing easy and fast connections to the rest of the country. Birmingham, England's second city is just 14 miles away and linked by rail, while Birmingham International Airport is 30 minutes by car.

Although not far from the hustle and bustle of city life, Redditch is also surrounded by pleasant countryside and places of great historic interest; Stratford-upon-Avon and Shakespeare's birthplace, Warwick Castle, the Malvern Hills and the Cotswolds are all within easy reach.

Redditch has some of its own great points of interest and as a new town with a younger than average population, leisure is a key priority. Facilities include a municipal golf course, sports centres, numerous clubs and societies, and the renowned Edwardian and modernised Palace Theatre. The modern Kingfisher Shopping Centre is among the best in the country while Redditch's world renowned needle making industry is celebrated and preserved through the Forge Mill Needle Museum. The remains of the 12th century monastic Bordesley Abbey are also nearby.

An award-winning Country Park and sailing lake (Arrow Valley Country Park) can be found just a few miles from the town centre. Nearby are the international headquarters of GKN and the head office for Halfords. In Redditch there are a staggering five million trees with an enviable amount of green space and landscaping for such a significant urban population. Redditch truly has the best of both worlds and can provide something for everyone.

## **2. The Accounting Statements**

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2014. 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.

### 3. Review of the Financial Year

This section sets out the key features of the Council's financial performance for 2013/14.

#### General Fund

There was an underspend on General Fund during this period resulting in an increase in balances of £166K. This was mainly due to an essential spending only policy during the year.

The outturn position is summarised below:

	Approved budgets 2013/14 £'000	Actual 2013/14 £'000	Variance £'000
Environmental Services	1,626	1,531	(95)
Community Services	1,186	1,108	(78)
Regulatory Services	441	396	(45)
Leisure & Cultural Services	2,057	2,007	(50)
Planning & Regeneration	(14)	(84)	(70)
Customer Access & Financial Support	(1,194)	(1,253)	(59)
Finance & Resources	1,163	1,125	(37)
Legal, Equalities & Democratic Services	190	126	(64)
Business Transformation	169	71	(98)
Head of Housing Services (GF)	103	57	(46)
Corporate Services	96	90	(6)
Support Services	5,397	5,022	(375)
<b>Net Directorate expenditure</b>	<b>11,220</b>	<b>10,196</b>	<b>-1,024</b>
Other	(343)	468	811
<b>Total General Fund Expenditure</b>	<b>10,877</b>	<b>10,664</b>	<b>(213)</b>
Income from Grants & Local Taxation	(10,794)	(10,830)	(35)
<b>Contribution (to)/from General Fund Balances</b>	<b>83</b>	<b>(166)</b>	<b>(249)</b>

#### Housing Revenue Account (HRA)

The statement of accounts also includes the ring-fenced Housing Revenue Account for the provision of Council Housing. The final position of the HRA resulted in an underspend of £214,590 which increased the balances held to £1,031,192.

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 £3.5 million to an earmarked reserve for contribution towards the capital programme and to repay debt.

The reserve for contributions to repay debt now stands at £12.950 million, other usable reserves total 53k and there is a working balance on the HRA of £1,031,000, totalling £14.034 million.

#### Capital Spending

	Approved budgets 2013/14 £'000	Actual 2013/14 £'000	Variance £'000
General Fund	5,502	2,471	3,031
Housing	10,698	8,160	2,538
<b>Total</b>	<b>16,200</b>	<b>10,631</b>	<b>5,569</b>

The Council incurred capital expenditure of £10.631 million during 2013/14; the majority of this (over £8 million) was spent on Council Housing, while £2.5 million was spent on General Fund services such as vehicle replacements, work on council buildings and home improvement grants.

The actual expenditure for the year was significantly less than the approved budget. Budgeted replacement of vehicles was delayed pending a review of the vehicle replacement programme. Budget provision for housing stock improvements was increased for 2013/14 following introduction of self-funding for the Housing Revenue Account. Slippage occurred due to delay in procuring work and starting contracts. Take up of Disabled Facilities and home repairs grants was less than anticipated.

<b>Financing source</b>	<b>£'000</b>
Grants & contributions	443
Capital Receipts	672
MRA	7,477
Borrowing	1,981
Revenue	58
<b>Total</b>	<b>10,631</b>

## **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.

## **Service Successes**

- Redditch Borough Council entered the Heart of England in Bloom competition for the 4th year running and secured a 3rd gold medal in a row. The judging process looks at more than just floral displays and the judges commented on the quality of the environment and environmental maintenance across the Borough.
- In 2013/14 the waste heat project at the Crematorium went live, so the swimming pool at the Abbey Stadium is now saving money heating the swimming pool by using the waste heat generated during the cremation process.

- During the early part of 2013/14 the Council reviewed all its waste collection rounds using a route optimisation software package. In late June 2013 the Council introduced new waste collection rounds that reduced the number of rounds by one. This, allied to other changes such as a move to all grey bin collections across the borough one week and all green bin collections the next, has reduced the number of vehicles used by one, saved fuel and has reduced the amount of hire and agency costs.
- New Recreation Facilities in Morton Stanley and Arrow Valley were introduced – including Table Tennis Tables, Volleyball courts, Frisbee Golf, Giant Chess, Orienteering, Family Arts Trail and sports grids. The purpose was to promote free outdoor activities for all the family. All the facilities have been well received by the community.
- A new play area was constructed in Glover Street
- The Palace Theatre has successfully managed to reduce its costs and increase its income resulting in a saving of around £200K over a 3 year period.
- The Shopmobility service which provides mobility aids to residents visiting the Town Centre and Kingfisher Centre successfully raised £11,300 in donations during 2013/14 which supported the running cost and purchase of new equipment for this service.
- The Borough Council was successful in winning a 3 year external contract from WCC to deliver a new Early Help service for families with children 0 -19 years in the Borough, including the provision of Children's Centres. The contract value for the service in year 1 was £1.5m.

### **Planned Future Developments**

The Council has continued to implement Shared Services with Bromsgrove District Council and across North Worcestershire. This has enabled the Council to ensure savings can be delivered, together with improving resilience and capacity across the Organisation. In addition, the Council commenced its programme of transformation to review services within a systems thinking framework. This ensures waste is driven from the organisation to realise savings and improvements are made to customer service.

### **Economic Outlook**

The council has developed a Transformation Plan to take effect in 2014/15 to improve its services and listen to our customers. This will also drive out waste and make savings during these challenging times.

The Council has a projected budget gap in excess of £2M in 2015/16, 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 in the budget.

During July 2013 the Council set out a clear statement of its purposes, it 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.

The Council has managed to achieve 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.

The current balances position of £1.166m is in excess of the prudent level recommended and the Council also managed to add to their balances during 2013/14 making substantial savings from its services without affecting the level of service.

The Council has started an innovative programme of transformation using the systems thinking methodology. Systems are mapped out to identify any areas of waste and duplication of work within the

process. The aim is to reduce the waste and to ensure that processes provide an easy and improved service to the customer whilst realising savings. As shared services have become more embedded across the Council focus has moved to the delivery of the transformation programme. The programme is enabling the Council to radically change the way it delivers services to the customer as well as making savings. In the last year transformational work has started in some of the core services including Housing, Planning, Environment and Leisure. The Council is also looking at some of the more internal services including IT, HR, Stores and Print, to ensure waste is driven from the organisation and to improve customer service. As well as carrying out transformational work in services the council has also developed a set of strategic purposes based on what our customers say to both officers and Members. The strategic purposes are the cornerstone of the Council Plan and will guide everything we do over the next year. The Council is also developing a set of measures to ensure it delivers the strategic purposes. The Council has also started a Locality based intervention which started in the Winyates area. This is now being rolled out to the rest of the town with close workings with the Place Team who are improving the look of these areas through landscape work.

A number of specific savings were included in the 2014/15 budget reports and are therefore already assumed in the Council's future Medium Term Financial Plan.

### **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.

# Annual Governance Statement 2013/14

## 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 2014 and up to the date of approval of the 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**

- Clear statement of the council's purposes is set out in the Council Plan July 2013. The authority has listened to customers in order to understand what goes on in communities and consider how to work with partners to support the issues within those communities. Through this we have produced a set of six strategic purposes to guide us; 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 and the prospects for Redditch Borough as a whole.
- The residents magazine "Redditch Matters" is available online 3 times per year
- Progress on how effective the authority is at achieving its purposes is monitored through measures at Corporate Management Team meetings. Key projects are also managed through Corporate Management Team.



- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- 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 Council
- 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/officer 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 and Governance Committee to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- 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 work plan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2012/13 Overview and Scrutiny undertook pre-scrutiny of :
  - Medium Term Financial Plan 2014/15.
  - Housing Revenue Account
  - Review of Fees and Charges Proposed 2014/15

Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2013/14:

- Housing Density – Completed July 2014
- Landscaping – Completed April 2014.
- Abbey Stadium (launched September 2013, due to be completed June 2014).
- Football Provision (launched January 2014, completion date TBC).
- Voluntary and Community Sector (launched October 2013 – due to be completed July 2014).
- Redditch Overview and Scrutiny Members have also participated in the Joint WRS Scrutiny Task Group, hosted by Bromsgrove District Council. (Due to be completed June 2014).
- 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 work plan that is reviewed at each meeting for completeness
- During 2013/14 a review of the risk register for corporate and shared service risks was undertaken, with the help of independent advice this is now fully updated.
- 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 performance
  - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
- The Council's Customer Feedback process has been reviewed and revised using System Thinking principles. This review found that written responses were often unnecessary and did not help to resolve the customers problems. As a result greater direct contact is now established with customers making complaints, either over the phone or through face to face meetings. This has improved response times, reduced bureaucratic steps in the process and improved outcomes for the customer by dealing with their real problems
- 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
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is being developed
- 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 Equalities Policy which is currently under review, convenes a Community Forum and provides support through the Stronger Communities Grants.
- 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 front of house contacts points – the Town Hall and the One Stop Shops.
- Resident feedback is obtained at Council events e.g. Street Theatre and other summer events if required as determined by Heads of Service.

#### 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/inspectorates.

##### Internal Audit

Redditch has a responsibility for maintaining an effective internal audit function 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/inspectorates

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

During 2013/14 2 complaints were made to the Standards Committee of alleged breaches of the Code of Conduct.

The review of Redditch's system of governance and internal control has not identified any significant weaknesses.

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):-

### Review of all Balances held

A review of General Fund, Earmarked Reserves and clear planning of HRA balances has been recommended. A full review of Earmarked Reserves has been undertaken, and this has released a number to fund 2014/15 expenditure. The General Fund Balances have been reviewed and it is believed they are still adequate and will be reviewed annually. Work is currently being undertaken to review the HRA finances with conjunction with the Capital Programme. Further work is being undertaken to ensure that the budget can be balanced in future years,

### Budget for 2015/16 onward

The council has not prepared a medium financial plan beyond 2014/15. Work is being undertaken to ensure that a robust budget can be set for future years, there was a significant underspend in 2013/14 and work is being undertaken to identify these savings and confirm if they can be achieved in future years. The Council is also expecting a number of capital receipts during 2014/15 which will reduce its borrowing requirements and can be used for any equal pay claims.

### The Council should ensure that there is a clear mapping between the new corporate priorities and 2014/15 Budget.

Work has been undertaken to match budgets with priorities, more work is being completed during 2014/15 to assist with future years' budget savings.

### The HRA business plan should be reviewed and early work undertaken on componentisation as this may have a large impact when depreciation rather than MRA is reflected in the revenue account.

The Head of Housing has been made aware of this and is working with Financial Services to look at the level of work involved.

### There should be better transparency in financial reports to provide the trail from budget to outturn analysis.

More detail is now included in reports prepared to finance for Members. This will make it easier for Members to understand where the budget variances are and ask more questions in the correct areas.

### The Council should consider the appointment of a lay member to the Audit Committee to help broaden the experience of the Committee.

This was completed during 2013/14

### Ensure that the Internal Audit plan is flexible to consider any new risks and the plan is completed to support production of the Annual Governance Statement.

Regular meetings are held between Senior Officers and the Internal Audit Manager to ensure that the plan is updated where weaknesses have arisen. The AGS has also been a standing item on the Audit and Governance agenda during 2012/13.

### The Council should clarify which savings schemes are incorporated into Budget cost reduction plans, develop detailed action plans for each scheme and strengthen the monitoring of savings delivery in-year.

More detailed monitoring reports are now in place, as well as a Transformation Plan which will feed into budget savings

.....  
**Cllr. Roger Bennett**  
**Chair of Audit & Governance Committee**  
**25 September 2014**

.....  
**Kevin Dicks**  
**Chief Executive**

## **Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31<sup>st</sup> March 2014**

### **Audit Opinion**

The internal audit of Redditch Borough Council's systems and operations during 2013/14 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit and Governance Committee on 23<sup>rd</sup> January 2013.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates within, and conforms to, the Institute of Internal Auditors Public Sector Internal Audit Standards and the CIPFA Code of Practice 2006 and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan for 2013/2014 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
- a number of operational systems, for example Kingsley Sports Centre, corporate compliments and complaints, playing fields and football pitches, rent arrears, payment and collection were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

The required audit reports identified in the plan were delivered and have provided sufficient coverage for the Service Manager to form an overall opinion.

In relation to the twenty nine reviews that have been undertaken, twenty six have been completed and three are nearing completion at clearance meeting or draft report stage. Risk management was re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. However, further development and embedding is required to move towards a trustworthy system which can be relied upon. An audit in this area returned an assurance level of 'limited assurance'. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. Other areas which also returned an assurance level of 'limited' included Corporate Governance ~ Fraud, Palace Theatres, Kingsley Sports Centre, and Sports Development. A key area which returned a 'no' assurance level was ICT. All areas where assurance was 'limited' or below will be addressed by management and have a defined action plan in place in order to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.

The majority of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.

WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the

Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2013/14 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met. However, there is a significant risk emerging which could jeopardise this in the future. With the austerity measures and the need to reduce the overall corporate budget the transformation plan and 'unspecified' savings require greater clarity to ensure better transparency, expectation and accountability in order to ensure the Borough can work towards a sound financial footing.

**Andy Bromage**  
**Worcestershire Internal Audit Shared Services Manager**  
June 2014

## CORE FINANCIAL STATEMENTS

### Movement in Reserves Statement

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 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 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.

Restated 2012/13	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account (HRA) £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31st March 2012</b>		<b>1,073</b>	<b>2,921</b>	<b>918</b>	<b>6,479</b>	<b>1,686</b>	<b>1,576</b>	<b>399</b>	<b>15,052</b>	<b>62,702</b>	<b>77,754</b>
<b><u>Movement in Reserves during 2012/13</u></b>											
Surplus/ (deficit) on the provision of services		(5,225)	0	4,299	0	0	0	0	(926)	0	(926)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(7,777)	(7,777)
<b>Total Comprehensive Income and Expenditure</b>		<b>(5,225)</b>	<b>0</b>	<b>4,299</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(926)</b>	<b>(7,777)</b>	<b>(8,703)</b>
Adjustments between accounting basis & funding basis under regulations	7	5,650	0	(1,388)	0	802	(66)	255	5,253	(5,253)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>		<b>425</b>	<b>0</b>	<b>2,911</b>	<b>0</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
Transfers to/ from Earmarked Reserves	8	(498)	498	(3,012)	3,012	0	0	0	0	0	0
<b>Increase/ Decrease in 2012/13</b>		<b>(73)</b>	<b>498</b>	<b>(101)</b>	<b>3,012</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
<b>Balance at 31st March 2013</b>		<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>1,510</b>	<b>654</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>

2013/14	Note	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31st March 2013</b>		<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>1,510</b>	<b>654</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>
<b><u>Movement in Reserves during 2013/14</u></b>											
Surplus/ (deficit) on the provision of services		(3,420)	0	3,022	0	0	0	0	(398)	0	(398)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	14,007	14,007
<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>14,007</b>	<b>13,609</b>
Adjustments between accounting basis & funding basis under regulations	7	3,842	0	692	0	865	(1,498)	(34)	3,867	(3,867)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>		<b>422</b>	<b>0</b>	<b>3,714</b>	<b>0</b>	<b>865</b>	<b>(1,498)</b>	<b>(34)</b>	<b>3,469</b>	<b>10,140</b>	<b>13,609</b>
Transfers to/ from Earmarked Reserves	8	(256)	256	(3,500)	3,500	0	0	0	0	0	0
<b>Increase/ Decrease in 2013/14</b>		<b>166</b>	<b>256</b>	<b>214</b>	<b>3,500</b>	<b>865</b>	<b>(1,498)</b>	<b>(34)</b>	<b>3,469</b>	<b>10,140</b>	<b>13,609</b>
<b>Balance at 31st March 2014</b>		<b>1,166</b>	<b>3,675</b>	<b>1,031</b>	<b>12,991</b>	<b>3,353</b>	<b>12</b>	<b>620</b>	<b>22,848</b>	<b>59,812</b>	<b>82,660</b>



## Core Financial Statements

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with 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 Movements in Reserve Statement.

Gross Expenditure £'000	Restated 2012/13		Notes	Gross Expenditure £'000	2013/14 Gross Income £'000	Net Expenditure £'000
	Gross Income £'000	Net Expenditure £'000				
8,117	(7,181)	936		1,567	(630)	937
6,641	(3,509)	3,132	Central Services to the Public	6,933	(3,795)	3,138
5,108	(1,617)	3,491	Cultural and Related Services	4,941	(1,730)	3,211
2,843	(1,600)	1,243	Environmental and Regulatory Services	2,975	(1,663)	1,312
834	(322)	512	Planning Services	873	(299)	574
14,778	(22,962)	(8,184)	Highways and Transport Services	15,240	(24,237)	(8,997)
-	(1,331)	(1,331)	Local Authority Housing (HRA)	1,073	-	1,073
			Loss/(reversal of previous loss) on revaluation of housing stock			
26,949	(26,776)	173	Other Housing Services	27,374	(27,033)	341
2,359	(91)	2,268	Corporate and Democratic Core	2,133	(63)	2,070
282	(1)	281	Non Distributed Costs	533	-	533
<b>67,911</b>	<b>(65,390)</b>	<b>2,521</b>	<b>Cost of Services</b>	<b>63,642</b>	<b>(59,450)</b>	<b>4,192</b>
		3	9 Other operating Expenditure			260
		5,106	10 Financing and Investment Income and Expenditure			6,056
		4,110	Loss on revaluation of investment property			-
		(10,814)	11 Taxation and non-specific grant income			(10,110)
		<b>926</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>398</b>
		(404)	(Surplus)/deficit on revaluation of non-current Assets			(1,718)
		8,181	Remeasurements of the net defined benefit liability			(12,289)
		<b>7,777</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(14,007)</b>
		<b>8,703</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(13,609)</b>

## Core Financial Statements

### The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the 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 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".

31 March 2013 £'000		Notes	31 March 2014 £'000
242,846	Property, plant and equipment	12	242,789
-	Heritage assets		48
6,533	Investment property	14	6,600
274	Intangible assets	15	217
1,218	Long-term debtors		1,196
<b>250,871</b>	<b>Long term assets</b>		<b>250,850</b>
932	Assets held for sale	20	2,004
1,501	Short-term investments	16	-
4,828	Short-term debtors	18	6,242
1,844	Cash and cash equivalents	19	396
297	Inventories	17	278
<b>9,402</b>	<b>Current assets</b>		<b>8,920</b>
(17,505)	Short-term borrowing	16	(13,003)
(5,895)	Short-term creditors	21	(6,596)
<b>(23,400)</b>	<b>Current liabilities</b>		<b>(19,599)</b>
(491)	Provisions	22	(959)
(104,135)	Long-term borrowing	16	(104,087)
(63,171)	Other long term liabilities	38	(52,448)
(25)	Capital Grants Receipts in Advance		(17)
<b>(167,822)</b>	<b>Long-term liabilities</b>		<b>(157,511)</b>
<b>69,051</b>	<b>Net assets</b>		<b>82,660</b>
	<b>Financed by:</b>		
19,379	Usable reserves	23	22,848
49,672	Unusable reserves	24	59,812
<b>69,051</b>	<b>Total reserves</b>		<b>82,660</b>

## Core Financial Statements

### Cash Flow Statement

The Cash Flow statement 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.

Restated 2012/13 £'000	Notes	2013/14 £'000
926	Net (surplus)/deficit on the provision of services	398
(15,710)	Adjustment to net (surplus)/deficit on the provision of services for non-cash movements	(12,370)
4,020	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,266
<b>(10,764)</b>	<b>25 Net cash flows from Operating Activities</b>	<b>(9,706)</b>
(2,559)	<b>26 Investing Activities</b>	5,705
19,738	<b>27 Financing Activities</b>	5,449
<b>6,415</b>	<b>Net (increase)/decrease in cash or cash equivalents</b>	<b>1,448</b>
<b>(8,259)</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(1,844)</b>
<b>(1,844)</b>	<b>19 Cash and cash equivalents at the end of the reporting period</b>	<b>(396)</b>

# Notes to the Core Financial statements

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## **1. Accounting policies**

### **1.1 General principles**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/14* and the *Service Reporting Code of Practice 2013/14*, 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.

### **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. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the 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 pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability i.e. net interest expense for the 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
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Worcestershire County Council Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### *Available for sale assets*

The Council has no available for sale 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.

### **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*

2013/14 (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 lives. An exception is made for assets without a determinable finite life (freehold land and community assets), and assets under construction.

Depreciation is calculated on the following bases:-

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

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

## ***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 & Communications	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
Management Team	Joint Redditch & Bromsgrove	Redditch 50% Bromsgrove 50% (Housing 100% Redditch)
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%

### 1.23 VAT

Income and expenditure excludes any amount related to VAT, as all VAT collected is payable to HM Customs and Excise and all VAT paid is recoverable.



## 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 rises to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

## 2. Accounting standards issued, not adopted

The Code of Practice on Local Authority Accounting 2014/15 has introduced a number of new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities. The following accounting standards that are relevant to the Council have been issued but not adopted due to the timing of the production of the accounts. If these had been adopted for the financial year 2013/14 there would be no material changes to the accounts.

- **IFRS 11 Joint Arrangements** – IFRS 11 provides new definitions of Joint Arrangements which could impact on the way in which partner councils account for the Worcestershire Regulatory Shared Services Joint Committee. Under the new definitions this arrangement becomes a Joint Operation, requiring the recognition of shares of the assets and liabilities partner councils' accounts. The Council already recognises its share of the assets and liabilities in its accounts.
- **IFRS 12 Disclosure of Interests in Other Entities** – IFRS 12 provides disclosure requirements for interests in other entities including joint arrangements. The Council will be required to make disclosures about the nature of its interests in the Joint Committee arrangements currently in place.
- **IFRS 13 Fair Value Measurement** – IFRS 13 defines fair value and sets out a framework for measuring fair value. It also identifies new disclosures in respect of fair value measurements. It provides a fair value hierarchy to be used in the valuation of assets and liabilities which will enable users to access the valuation method used and its impact on the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes resulting from the implementation of this standard will be presentational.
- **IAS 32 Financial Instruments: Presentation** – IAS 32 outlines the accounting requirements for the presentation of financial instruments, particularly their classification into financial assets, financial liabilities and equity instruments. It also prescribes strict rules in respect of offsetting financial assets and liabilities within the balance sheet. The changes resulting from the implementation of this standard will be presentational.

## 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- The main critical judgement in the Statement of Accounts is due to the high degree of uncertainty about future levels of funding for local government from central government. The Council has been given details of a reduced financial settlement for 2014/15 and 2015/16 but

does not yet have a sufficient level of certainty to provide an indication that the assets of the Council might be impaired as a result of any further reduction in funding.

- 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 has not set a budget for 2015/16 and onwards due to the severe financial pressures it is facing, a gap of approximately two million has been identified and the Council does not have General Fund balances to support this. During 2014/15 work is being undertaken to ensure that this gap can be filled, this includes a full review of its earmarked reserves which are significant and where possible releasing these to the General Fund Balances.

In 2013/14 there was a large underspend at the end of the financial year and work in 2014/15 is being undertaken to review all budgets and identify any ongoing savings that can be used to fund the budget gap.

A number of the Council's Fixed Assets are for sale and are likely to be sold in 2014/15; this is likely to achieve at least 1.5 million in capital receipts which can be used to reduce borrowing costs in the future or potential equal pay claims.

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.

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

The Statement of Accounts contains estimated figures based on assumptions made by the Council. Estimates are made taking into account historical experience, current trends and other relevant factor. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2014 for which there is a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if actual results differ from the assumptions
<b>Pensions liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured.  The actuary provides additional sensitivity analysis information to assist measurement. These are outlined in note 38 <i>Defined Benefit Pension Schemes</i>
<b>Arrears</b>	At 31 <sup>st</sup> March 2014 the Council had sundry debtor balances of £1.1million and Housing Benefit debt of £0.8million. Provisions for bad debt are made according to age of debt and past experience and a provision of £0.3million is in place in respect of these balances.  HRA debt amounted to £1.291million with a provision of £0.426million,  The Council's share of collection fund debtors was £0.787million at the year end with a provision of £0.718million  In the current economic climate it is not certain that these allowances would be	If collection rates were to deteriorate, a doubling of the amount of the impairment of the doubtful sundry debts would require a further £0.3million to be set aside.  A doubling of the amount of the impairment of the HRA debts would require a further £0.4million to be set aside.  The provision for collection fund arrears covers 90% of the debt so no significant risk of material adjustment exists.

sufficient.

**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).

**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.

**Equal pay claims**

Other Local Authorities have been subject to equal pay claims.

Should any claims arise against the authority there is a job evaluation reserve of £755,000 which could be used to settle any claims.

**Provision for Business Rate Appeals**

Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.

Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £45,000. **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.**

**HRA depreciation**

**From 2001 to 2012 Councils were given support to maintain council homes by means of a Government grant known as the Major Repairs Allowance (MRA). The allowance was based on the values and useful lives of a number of components which make up a home. A link was made between MRA and depreciation.**

**On 31 March 2012 the Housing Subsidy system, of which the MRA formed a part, was abolished and housing authorities embarked on a self-financed HRA.**

**Councils have been given until April 2017 to move to proper depreciation accounting. Until then the Chief Financial Officer may continue to determine an amount of depreciation based on the former MRA.**

**The HRA depreciation in the accounts continues to be based on the MRA.**

**The abolition of the MRA means that the charge for depreciation should be that assessed by the professional valuer. If the value of depreciation was higher than that expended through the Council's capital programme then there would be a higher charge to the HRA. Under present regulations the depreciation charge may be reduced to the level of the former MRA, however from 2017 the actual charge for depreciation will be made to the HRA.**

## **5. Material items of income and expenditure**

There are no material items of income and expenditure during the year,

## **6. Events after the balance sheet date**

There are no material post balance sheet events.

## **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 Council in year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

### **General Fund balance**

The General Fund is the statutory fund into which all the receipts of the Council 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 on the General Fund Balance, which is not necessary in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to HRA services.

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

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

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

<b>Usable Reserves</b>							
<b>Restated 2012/13 Adjustments</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Usable Reserves £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,321	5,893	0	0	0	7,214	(7,214)
• Impairment/revaluation losses(reversal previous losses)	343	(1,331)	0	0	0	(988)	988
• Amortisation of intangible assets	105	0	0	0	0	105	(105)
• Capital grants and contributions applied	(425)	0	0	0	0	(425)	425
• Revenue expenditure funded from capital under statute	378	0	0	0	0	378	(378)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	1,981	1,386	0	0	0	3,367	(3,367)
• Movement in market value of investment property	4,110	0	0	0	0	4,110	(4,110)
• Movement in fair value of Held for Sale Assets	110	0	0	0	0	110	(110)
• Use of Major Repairs Reserve to finance new capital expenditure	0	0	(5,914)	0	0	(5,914)	5,914
• Finance lease reclassification	30	0	0	0	0	30	(30)
• Revenue contribution to finance capital	(107)	0	0	0	0	(107)	107
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(804)	0	0	0	0	(804)	804
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants & contributions unapplied credited to the CI&E Statement	(277)	0	0	0	277	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	(15)	0	0	0	(22)	(37)	37

<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(2,332)	(1,689)	0	4,079	0	58	(58)
HRA capital receipts to housing pool	523	0	0	(523)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(2,754)	0	(2,754)	2,754
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(5,848)	5,848	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	4,264	229	0	0	0	4,493	(4,493)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,458)	0	0	0	0	(3,458)	3,458
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)	0	0	0	0	(30)	30
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(67)	(28)	0	0	0	(95)	95
<b>Total adjustments</b>	<b>5,650</b>	<b>(1,388)</b>	<b>(66)</b>	<b>802</b>	<b>255</b>	<b>5,253</b>	<b>(5,253)</b>

2013/14 Adjustments	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,250	5,966	12	-	-	7,228	(7,228)
• Impairment/revaluation losses (incl. reversal previous losses)	89	1,073	-	-	-	1,162	(1,162)
• Amortisation of intangible assets	91	-	-	-	-	91	(91)
• Capital grants and contributions applied	(309)	-	-	-	-	(309)	309
• Revenue expenditure funded from capital under statute	401	-	-	-	-	401	(401)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	184	1,532	-	-	-	1,716	(1,716)
• Movement in market value of investment property	(107)	-	-	-	-	(107)	107
• Movement in fair value of Held for Sale assets	4	-	-	-	-	4	(4)
• Use of Major Repairs Reserve to finance new capital expenditure	-	-	(7,476)	-	-	(7,476)	7,476
• Finance lease reclassification	10	-	-	-	-	10	(10)
• Revenue contribution to capital finance	(58)	-	-	-	-	(58)	58
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(866)	-	-	-	-	(866)	866
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants & contributions unapplied credited to the CI&E Statement	(100)	-	-	-	100	-	-
Application of grants to capital financing transferred to Capital Adjustment Account	-	-	-	-	(134)	(134)	(134)

<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(76)	(2,190)	-	2,295	-	29	(29)
HRA capital receipts to housing pool	759	-	-	(759)	-	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	(671)	-	(671)	671
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	-	(5,966)	5,966	-	-	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	5,109	276	-	-	-	5,385	(5,385)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,820)	-	-	-	-	(3,820)	3,820
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and non-domestic rate income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,280	-	-	-	-	1,280	(1,280)
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	1	-	-	-	2	(2)
<b>Total adjustments</b>	<b>3,842</b>	<b>692</b>	<b>(1,498)</b>	<b>865</b>	<b>(34)</b>	<b>3,867</b>	<b>(3,867)</b>



## 8. Transfer 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 amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

	Balance at 31 March 2012 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2013 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2014 £'000
<b>General Fund</b>							
Job evaluation	755	0	0	755	0	0	755
Threadneedle House	0	558	0	558	0	(58)	500
Mercury emissions	375	60	0	435	20	0	455
Business Rates grants	0	0	0	0	455	0	455
Community Safety	162	15	0	177	97	(47)	227
Capital expenditure (General fund)	332	0	(126)	206	0	(29)	177
Sport Development	67	123	(31)	159	51	(34)	176
Community development	368	0	(52)	316	0	(149)	167
Housing support	191	99	(123)	167	0	0	167
Land charges	100	0	0	100	0	0	100
Planning Services	95	22	(41)	76	16	(11)	81
Housing Benefits implementation	23	64	(23)	64	0	0	64
Town centre	52	45	0	97	0	(41)	56
Risk	21	15	0	36	15	(4)	47
Public donations	41	0	(1)	40	0	(2)	38
Regulatory Services balance	70	0	(11)	59	0	(26)	33
IT licences	0	29	0	29	0	0	29
Economic development	0	0	0	0	24	0	24
Electoral services	22	0	(14)	8	16	0	24
Hemming Road Enterprise Centre	45	0	(22)	23	0	(3)	20
Land drainage	20	0	0	20	0	0	20
Grants to voluntary bodies	13	33	(13)	33	10	(26)	17
Administrative support	20	9	(20)	9	0	0	9
Travellers Assessment	0	0	0	0	9	0	9
Arts	21	7	(16)	12	1	(5)	8
2 Pennies	0	8	0	8	0	0	8
Car loan guarantee scheme	7	0	0	7	0	0	7
Environmental Health	2	0	(1)	1	0	0	1
Allotments	0	0	0	0	1	0	1
Play areas	24	0	0	24	0	(24)	0
Lifeline	24	0	(24)	0	0	0	0
Taxi licensing	6	0	(6)	0	0	0	0
Shared services/transformation	50	0	(50)	0	0	0	0
Recycling	9	0	(9)	0	0	0	0
Countryside centre	6	0	(6)	0	0	0	0
<b>Total General Fund</b>	<b>2,921</b>	<b>1,087</b>	<b>(589)</b>	<b>3,419</b>	<b>715</b>	<b>(459)</b>	<b>3,675</b>
<b>Housing Revenue Account</b>							
Housing capital	6,450	3,000	0	9,450	3,500	0	12,950
Supporting people	29	27	(15)	41	0	0	41
<b>Total Housing Revenue Account</b>	<b>6,479</b>	<b>3,027</b>	<b>(15)</b>	<b>9,491</b>	<b>3,500</b>	<b>0</b>	<b>12,991</b>
<b>Total Earmarked Reserves</b>	<b>9,400</b>	<b>4,114</b>	<b>(604)</b>	<b>12,910</b>	<b>4,215</b>	<b>(459)</b>	<b>16,666</b>

## 9. Other operating expenditure

Restated 2012/13 £'000	Expenditure	2013/14 £'000
8	Parish Precept	8
523	Payments to the Government Housing Capital Receipt Pool	759
(653)	Gain on disposal of non-current assets	(550)
110	Loss on revaluation of Held for Sale Assets	4
(17)	Trading services	(4)
32	Pension fund administration costs	43
<b>3</b>	<b>Total</b>	<b>260</b>

## 10. Financing and investment income and expenditure

Restated 2012/13 £'000	Expenditure	2013/14 £'000
3,689	Interest Payable and similar charges	3,610
2,529	Net interest on the net defined pension liability	2,553
(46)	Interest Receivable and Similar Income	(19)
(945)	Income and Expenditure in relation to Investment Properties and Changes in Fair Value	(52)
(121)	Finance lease Income	(36)
5,106		6,056
4,110	Loss on revaluation of Investment Property	-
<b>9,216</b>	<b>Total</b>	<b>6,056</b>

## 11. Taxation and non-specific grant income

2012/13 £'000	Income source	2013/14 £'000
(5,814)	Council Tax Income	(4,987)
(4,132)	Non Domestic Rate Income	(1,270)
(80)	Revenue Support Grant	(2,897)
-	S31 NDR small business relief compensation	(248)
(144)	Council Tax Freeze Grant	(58)
(345)	Capital Grants and Contributions	(105)
(299)	Non-ring fenced government grants	(545)
<b>(10,814)</b>	<b>Total</b>	<b>(10,110)</b>

## 12. Property, plant and equipment movements in 2013/14

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2013	211,763	25,512	9,134	2,141	1,004	-	1,227	250,781
Additions	8,160	218	1,219	356	200	-	-	10,153
Revaluation increases/decreases recognised in the Revaluation Reserve	-	(551)	-	-	-	-	-	(551)
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(7,039)	(89)	-	-	-	-	-	(7,128)
De-recognition- disposals	(1,532)	-	(96)	-	-	-	-	(1,628)
De-recognition- other	-	-	(61)	-	-	-	-	(61)
Assets reclassified	-	(337)	-	-	-	277	-	(60)
Other movements in cost or valuation	-	-	-	-	-	-	(760)	(760)
<b>At 31 March 2014</b>	<b>211,352</b>	<b>24,753</b>	<b>10,196</b>	<b>2,497</b>	<b>1,204</b>	<b>277</b>	<b>467</b>	<b>250,746</b>
<b>Accumulated depreciation and impairment</b>								
At 1 April 2013	-	1,078	6,586	271	-	-	-	7,935
Depreciation charge	5,966	473	705	82	-	-	-	7,226
Depreciation written out to the Revaluation Reserve	-	(1,069)	-	-	-	-	-	(1,069)
Depreciation written out to the Surplus/ deficit on the Provision of Services	(5,966)	-	-	-	-	-	-	(5,966)
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition- disposals	-	-	(97)	-	-	-	-	(97)
De-recognition- other	-	-	(61)	-	-	-	-	(61)
Other movements in depreciation and impairment	-	(11)	-	-	-	-	-	(11)
<b>At 31 March 2014</b>	<b>-</b>	<b>471</b>	<b>7,133</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,957</b>
<b>Net Book Value</b>								
At 31 March 2013	211,763	24,434	2,548	1,870	1,004	-	1,227	242,846
At 31 March 2014	211,352	24,282	3,063	2,144	1,204	277	467	242,789

Comparative movements in 2012/13	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2012	210,789	26,023	8,849	2,084	870	192	533	249,340
Additions	6,086	256	549	57	134	-	-	7,082
Revaluation increases/decreases recognised in the Revaluation Reserve	-	(257)	-	-	-	-	-	(257)
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(4,517)	(414)	-	-	-	-	-	(4,931)
De-recognition- disposals	(685)	(96)	(192)	-	-	-	-	(973)
De-recognition- other	-	-	(72)	-	-	-	-	(72)
Assets reclassified	90	-	-	-	-	(192)	-	(102)
Other movements in cost or valuation	-	-	-	-	-	-	694	694
<b>At 31 March 2013</b>	<b>211,763</b>	<b>25,512</b>	<b>9,134</b>	<b>2,141</b>	<b>1,004</b>	<b>0</b>	<b>1,227</b>	<b>250,781</b>
<b>Accumulated depreciation and impairment</b>								
At 1 April 2012	-	1,117	6,006	190	-	-	-	7,313
Depreciation charge	5,848	454	830	81	-	-	-	7,213
Depreciation written out to the Revaluation Reserve	-	(58)	-	-	-	-	-	(58)
Depreciation written out to the Surplus/ deficit on the Provision of Services	(5,848)	(435)	-	-	-	-	-	(6,283)
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition- disposals	-	-	(250)	-	-	-	-	(250)
De-recognition- other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>-</b>	<b>1,078</b>	<b>6,586</b>	<b>271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,935</b>
<b>Net Book Value</b>								
At 31 March 2012	210,789	24,906	2,843	1,894	870	192	533	242,027
At 31 March 2013	211,763	24,434	2,548	1,870	1,004	0	1,227	242,846

#### Fixed asset valuations

The freehold and leasehold properties which comprise the Council's operational portfolio have been valued by **Paul McLaughlin MA MRICS (RICS Registered Valuer)** and **Worcestershire County Council's**

valuation team in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations of fixed assets are undertaken sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. The value of all assets is reviewed annually for impairments and changes in market conditions. Fixed plant and equipment is included in the valuation of buildings. Council dwellings with a value of £211.352million and other property with a value of £5.835million were revalued at 31 March 2014.

The following statement shows the dates of valuation of each category of Property Plant and Equipment:

	Council Dwellings	Other land and buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	-	-	10,196	2,497	1,204	-	467	14,364
Valued at current value in:								
2010/11	-	12,412	-	-	-	-	-	12,412
2012/13	-	6,783	-	-	-	-	-	6,783
2013/14	211,352	5,558	-	-	-	277	-	217,187
<b>Gross value</b>	<b>211,352</b>	<b>24,753</b>	<b>10,196</b>	<b>2,497</b>	<b>1,204</b>	<b>277</b>	<b>467</b>	<b>250,746</b>
Cumulative depreciation	-	(471)	(7,133)	(353)	-	-	-	(7,957)
<b>Net book value at 31 March 2014</b>	<b>211,352</b>	<b>24,282</b>	<b>3,063</b>	<b>2,144</b>	<b>1,204</b>	<b>277</b>	<b>467</b>	<b>242,789</b>

Where valuations are not 'as at' the Balance Sheet date, the Council is not aware of any material change and therefore valuations have not been updated.

### 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.

### 13. Heritage Assets

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.

2012/13 £'000		2013/14 £'000
	Balance at start of the year	
-	Gross carrying amount	-
-	Accumulated depreciation	-
-	<b>Net carrying amount at start of year</b>	-
	Additions	
-	• Reclassified	48
-	<b>Net carrying amount at end of year</b>	<b>48</b>
	Comprising	
-	Gross carrying amount	60
-	Accumulated depreciation	(12)
-		48

The asset is valued at historic cost.

#### 14. Investment properties

The following items of income and expense have been accounted for in the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement

2012/13 £'000		2013/14 £'000
(978)	Rental income from investment property	(889)
1,025	Direct operating expenses arising from investment	954
(434)	Premium on early surrender of lease	-
(558)	Dilapidation charges	-
-	Other income	(11)
4,110	Movement in market value of investment property	(106)
<b>3,165</b>	<b>Net (gain)/loss on investment properties</b>	<b>(52)</b>
(17)	(Gain)/Loss on trading operations	(4)
<b>3,148</b>		<b>(56)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal **other than the Heming Road industrial units where disposal of the property would require 70% of the proceeds to be remitted to the Homes and Communities Agency (HCA). Based on the current valuation this charge would be £270,000.** The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The fair value of investment property is based on a valuation by Worcestershire County Council's valuation team in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The determination of fair value is supported by market evidence and is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

2012/13 £'000		2013/14 £'000
9,741	Balance at the start of the year	6,533
	Additions:	
-	• Purchases	-
-	• Construction	-
1,054	• Surrender of finance lease	
78	• Subsequent expenditure	20
(60)	Disposals	(60)
(170)	Transfer to council dwellings	-
(4,110)	Net gains/losses from fair value adjustments	107
<b>6,533</b>	<b>Balance at end of the year</b>	<b>6,600</b>

## 15. Intangible assets

The Council 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. To date, none of the capitalised software has been internally developed.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The financial ledger system has been assigned a 10 year life; all other major software has been assigned a 5 year life.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.091million was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

2012/13 £'000		2013/14 £'000
1,557	Balance at start of the year:	
(1,201)	- Gross carrying amounts	1,580
	- Accumulated amortisation	(1,306)
<b>356</b>	<b>Net carrying amount at the start of the year</b>	<b>274</b>
	Additions:	
23	- Purchases	34
(105)	Amortisation for the period	(91)
-	Disposals	(65)
-	Amortisation of disposals	65
<b>274</b>	<b>Net carrying amount at end of year</b>	<b>217</b>
	Comprising:	
1,580	Gross carrying amount	1,549
(1,306)	Accumulated amortisation	(1,332)
<b>274</b>		<b>217</b>

## 16. Financial instruments

### Categories of Financial Instruments

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

31 March 2013			31 March 2014	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
		<b>Investments</b>		
-	1,501	Loans & receivables	-	-
-	<b>1,501</b>	<b>Total investments</b>	-	-
		<b>Debtors</b>		
67	1,785	Loans & receivables	64	1,631
<b>67</b>	<b>1,785</b>	<b>Total debtors</b>	<b>64</b>	<b>1,631</b>
		<b>Borrowings</b>		
(104,135)	(17,505)	Financial liabilities at amortised cost	(104,087)	(13,003)
<b>(104,135)</b>	<b>(17,505)</b>	<b>Total borrowings</b>	<b>(104,087)</b>	<b>(13,003)</b>
		<b>Creditors</b>		
-	(1,612)	Financial liabilities at contract cost	-	(2,026)
-	<b>(1,612)</b>	<b>Total creditors</b>	-	<b>(2,026)</b>
-	<b>1,844</b>	<b>Cash &amp; cash equivalents</b>	-	<b>396</b>

Further details of the nature and risks arising from financial instruments are given in Note 40.

### Income, Expense, Gains and Losses

31 March 2013			31 March 2014		
Financial Liabilities £'000	Financial Assets £'000	Total £'000	Financial Liabilities £'000	Financial Assets £'000	Total £'000
3,639	-	3,639	3,602	-	3,602
<b>3,639</b>	<b>-</b>	<b>3,639</b>	<b>3,602</b>	<b>-</b>	<b>3,602</b>
-	(46)	(46)	-	(19)	(19)
<b>-</b>	<b>(46)</b>	<b>(46)</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>
<b>3,639</b>	<b>(46)</b>	<b>3,593</b>	<b>3,602</b>	<b>(19)</b>	<b>3,583</b>

### Fair Value of assets and liabilities

Financial liabilities 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 rates at 31<sup>st</sup> 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.

The fair value figures for PWLB loans have been provided by the PWLB.

31 March 2013		31 March 2014	
Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
		<b>Financial liabilities</b>	
104,135	115,075	101,087	106,321
17,505	17,505	13,003	13,003
		<b>Financial Assets</b>	
1,501	1,501	-	-
67	67	64	64

## 17. Inventories

Details of inventories held are shown below:-

Balance at 31 March 2013 £'000	Stock	Balance at 31 March 2014 £'000
262	Depot stores	244
35	Other miscellaneous stores	34
<b>297</b>		<b>278</b>



## 18. Debtors

An analysis of current debtors is shown below:-

Balance at 31 March 2013 £'000	Debtor type	Balance at 31 March 2014 £'000
753	Central Government Bodies	1,435
1,321	Other local authorities	1,560
995	Housing rents	1,291
2,893	Other entities and individuals	3,599
5,962		7,885
(1,134)	Less – provision for doubtful debts	(1,643)
<b>4,828</b>	<b>Total</b>	<b>6,242</b>

## 19. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

Balance at 31 March 2013 £'000		Balance at 31 March 2014 £'000
37	Cash held by the Council	56
(93)	Bank Current Accounts	340
1,900	Short Term Deposits	-
<b>1,844</b>	<b>Total Cash and Cash Equivalents</b>	<b>396</b>

## 20. Assets held for sale

	Current 2012/13 £'000	Current 2013/14 £'000
<b>Balance outstanding at start of year</b>	<b>3,046</b>	<b>932</b>
Assets newly classified as held for sale:		
- Property, plant & equipment	271	1,200
Disposals	(2,513)	(124)
Revaluation losses	128	(4)
<b>Balance outstanding at year-end</b>	<b>932</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 twelve months of the Balance Sheet date.

## 21. Creditors

An analysis of current creditors is shown below:-

Balance at 31 March 2013 £'000	Creditor type	Balance at 31 March 2014 £'000
1,250	Central Government bodies	1,055
2,761	Other Local Authorities	3,063
255	Housing rents prepaid	423
16	NHS bodies	28
1,613	Other entities and individuals	2,027
<b>5,895</b>		<b>6,596</b>

## 22. Provisions

An analysis of provision is as follows:

	Opening Balance 01/04/13 £'000	Contributions To From £'000		Closing Balance 31/03/14 £'000
Self-insurance (injury and damage compensation claims)	491	183	(166)	508
NNDR appeals	-	451	-	451
	<b>491</b>	<b>634</b>	<b>(166)</b>	<b>959</b>

The Council created a new reserve for the estimated cost of business rates appeals unsettled at the end of the year. Any income lost as a result of appeals was previously charged to a central pool held by the government. Under the revised business rates system a proportion of the cost of appeals will be borne by the Council.

## 23. Usable reserves

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 "Adjustments between accounting basis and funding basis under regulation".

## 24 Unusable reserves

An analysis of the unusable reserves is shown below:

Balance 31/03/13 £'000		Balance 31/03/14 £'000
(63,171)	Pensions Reserve	(52,448)
(166)	Accumulated Absences Account	(168)
647	Deferred Capital Receipts Reserve	639
104,793	Capital Adjustment Account	104,150
7,476	Revaluation Reserve	8,826
93	Collection Fund Adjustment Account	(1,187)
<b>49,672</b>	<b>Total unusable reserves</b>	<b>59,812</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 Council 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 Council makes employer's contributions to the Pension Fund 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 that the Council 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.

Restated 2012/13 £'000		2013/14 £'000
(53,954)	Balance at 1 April	(63,171)
(8,181)	Re-measurements of the net defined benefit/liability	12,289
(4,494)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,386)
3,458	Employer's pension contributions and direct payments to pensioners payable in the year	3,820
<b>(63,171)</b>	<b>Balance at 31 March</b>	<b>(52,448)</b>

### Accumulated Absences Account

The Accumulated Absences 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.

2012/13 £'000		2013/14 £'000	2013/14 £'000
(261)	<b>Balance at 1 April</b>		(166)
261	Settlement or cancellation of accrual made at the end of preceding year	166	
(166)	Amounts accrued at the end of the current year	(168)	
95	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		(2)
<b>(166)</b>	<b>Balance at 31 March</b>		<b>(168)</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 Council 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. The balance represents mortgages granted on sales of council houses and loans for improvements to private sector houses secured by charges on the properties.

2012/13 £'000		2013/14 £'000
<b>628</b>	<b>Opening Balance at 1 April</b>	<b>647</b>
(58)	Transfer to the Capital Receipts Reserve upon receipt of cash	(29)
77	Lifetime loans issued in year	21
<b>647</b>	<b>Closing Balance at 31 March</b>	<b>639</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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains the accumulated gains and losses on Investment Properties.

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.

2012/13 £'000		2013/14 £'000	2013/14 £'000
<b>107,107</b>	<b>Opening Balance at 1 April</b>		<b>104,793</b>
	<i>Capital Financing applied in the year:</i>		
2,754	Use of Capital Receipts to finance new expenditure	672	
5,914	Use of Major Repairs Reserve to finance Capital Expenditure	7,476	
425	Capital Grants and Contributions credited to Comprehensive		

	Income and Expenditure Statement that have been applied to capital financing	309
804	Statutory provision for the financing of capital investment	866
38	Application of grants to capital financing from the Capital Grants Unapplied Account	134
107	Revenue Contributions to Capital Expenditure	58
<b>10,042</b>		<b>9,515</b>
	<i>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure Statement:</i>	
(343)	Impairment of non-current assets (Loss on revaluation)/reversal of previous loss on revaluation of housing stock	(89)
1,331		(1,073)
(7,215)	Depreciation of non-current assets	(7,228)
(105)	Amortisation of intangible assets	(91)
(110)	Loss on revaluation of Held for Sale Assets	(4)
(29)	Finance lease IFRS transition adjustment	(10)
(455)	Revenue expenditure funded from capital under statute	(422)
(3,367)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,716)
<b>(10,293)</b>		<b>(10,633)</b>
<b>2,047</b>	Adjusting Amounts written out of Revaluation Reserve	<b>368</b>
	<i>Movements in the market value of Investment Property debited or credited to the Comprehensive Income and Expenditure Account</i>	
(4,110)	Movements in the value of Investment Properties	107
<b>104,793</b>	<b>Closing Balance at 31 March</b>	<b>104,150</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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
- used in the provision of services, or
- disposed of

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

2012/13		2013/14
£'000		£'000
<b>9,119</b>	<b>Opening Balance at 01 April</b>	<b>7,476</b>
1,747	Revaluations during the year	1,718
(153)	Depreciation of revaluations	(168)
-	Impairment of Revaluations	
(1,894)	Disposals	(200)
(1,343)	Reversal previous revaluation losses	
<b>7,476</b>	<b>Closing Balance at 31 March</b>	<b>8,826</b>

### Collection Fund Adjustment Account

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

2012/13 £'000		2013/14 £'000
<b>63</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>93</b>
	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,280)
<b>93</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(1,187)</b>

## 25. Cash flow statement – Operating activities

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
(96)	Interest received	(20)
3,651	Interest paid	3,604

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

2012/13 £'000		2013/14 £'000
7,214	Depreciation	7,228
(987)	Impairment	1,162
105	Amortisation	91
(51)	Increase/ (decrease) in impairment for bad debts	44
(499)	Increase/decrease in creditors	581
1,324	Increase/decrease in debtors	(404)
(2)	Increase/decrease in inventories	19
1,036	Movement in pension liability	1,566
7,587	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,613
(17)	Other non-cash items charged to the net surplus or deficit on the provision services	470
<b>15,710</b>		<b>12,370</b>

## 26. Cash flow statement – Investing activities

2012/13 £'000		2013/14 £'000
8,569	Purchase of property, plant & equipment, investment property and intangible assets	9,489
30,700	Purchase of short-term & long-term investments	10,000
96	Other payments for investing activities	36
(4,020)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,266)
(37,800)	Proceeds from short-term & long-term investments	(11,500)
(104)	Other receipts from investing activities	(54)
<b>(2,559)</b>	<b>Net cash flows from investing activities</b>	<b>5,705</b>

## 27. Cash flow statement – Financing activities

2012/13 £'000		2013/14 £'000
(42,300)	Cash receipts of short-term & long-term borrowing	(61,800)
	Other receipts from financing activities:	
(500)	<ul style="list-style-type: none"> <li>• Difference between cash collected from NNDR taxpayers and the amount paid to the pool</li> <li>• Difference between the preceptors' share of council tax and NNDR cash collected and net cash paid to preceptors and central government for their precept and settlement of estimated surplus/deficit on the Collection Fund</li> </ul>	-
(110)		901
62,648	Repayments of short- and long-term borrowing	66,348
<b>19,738</b>	<b>Net cash flows from financing activities</b>	<b>5,449</b>

## 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 the 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 2013/14 figures. In 2012/13 the allocation of support costs was made across the Directorates receiving support.

2013/14	Support	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Chief Exec	Total Net Expenditure by Service
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-	(2,871)	(1,546)	(6,694)	(324)	(11,435)
Government grants	-	(25,257)	-	(22)	-	(25,279)
Recharge to Services	-	(5,047)	(1,653)	(3,833)	(1,995)	(12,528)
	-	<b>(33,175)</b>	<b>(3,199)</b>	<b>(10,549)</b>	<b>(2,319)</b>	<b>(49,242)</b>
Employee expenses	-	3,529	1,681	7,192	844	13,246
Other expenses	-	28,620	1,885	7,846	1,637	39,998
Support service recharges	5,022	1,024	2	157	-	6,205
	<b>5,022</b>	<b>33,173</b>	<b>3,568</b>	<b>15,195</b>	<b>2,481</b>	<b>59,439</b>
<b>Net Cost of Services</b>	<b>5,022</b>	<b>(2)</b>	<b>369</b>	<b>4,646</b>	<b>162</b>	<b>10,197</b>

<b>Restated 2012/13 Comparative Figures</b>	<b>Support</b>	<b>Finance &amp; Resources</b>	<b>Planning, Regulatory, Regeneration &amp; Housing</b>	<b>Leisure, Environmental &amp; Community</b>	<b>Chief Exec</b>	<b>Total Net Expenditure by Service</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	-	(3,024)	(1,899)	(6,501)	(113)	(11,537)
Government grants	-	(31,653)	(209)	(15)	-	(31,877)
Recharge to Services	-	(5,714)	(1,312)	(4,679)	(1,701)	(13,406)
	-	<b>(40,391)</b>	<b>(3,420)</b>	<b>(11,195)</b>	<b>(1,814)</b>	<b>(56,820)</b>
Employee expenses	-	4,116	1,671	7,485	384	13,656
Other expenses	-	34,670	1,981	8,563	1,599	46,813
Support service recharges	5,123	957	-	115	-	6,195
	<b>5,123</b>	<b>39,743</b>	<b>3,652</b>	<b>16,163</b>	<b>1,983</b>	<b>66,664</b>
<b>Net Cost of Services</b>	<b>5,123</b>	<b>(648)</b>	<b>232</b>	<b>4,968</b>	<b>169</b>	<b>9,844</b>

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Net Cost of Service from Service Analysis	<b>9,844</b>	<b>10,197</b>
Add amounts not reported to management	(82)	6,358
Amounts not included in the Comprehensive Income and Expenditure Statement	(7,241)	(12,363)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2,521</b>	<b>4,192</b>

### Reconciliation to Subjective Analysis

<b>2013/14</b>	<b>Service analysis £'000</b>	<b>Not reported to management £'000</b>	<b>Not included in CIES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges and other income	(11,435)	(23,144)	609	<b>(33,970)</b>	(609)	<b>(34,579)</b>
Interest and Investment income	-	-	-	-	(107)	<b>(107)</b>
Income from Council Tax & NDR	-	-	-	-	(6,257)	<b>(6,257)</b>
Government grants and Contributions	(25,279)	(202)	-	<b>(25,481)</b>	(3,853)	<b>(29,334)</b>
Support Service Recharge	(12,528)	(707)	13,236	<b>1</b>	(1)	-
<b>Total Income</b>	<b>(49,242)</b>	<b>(24,053)</b>	<b>13,845</b>	<b>(59,450)</b>	<b>(10,827)</b>	<b>(70,277)</b>

Employee Expenses	13,246	2,761	-	<b>16,007</b>	-	<b>16,007</b>
Other Service Expenses	33,668	13,593	374	<b>47,635</b>	610	<b>48,245</b>
Interest Payments	--	-	-	-	6,206	<b>6,206</b>
Capital Financing Payments to Housing Capital Receipts Pool	4,633	9,585	(14,218)	-	-	-
	-	-	-	-	759	<b>759</b>
Gain on disposal Precept	-	-	-	-	(550)	<b>(550)</b>
Support Service costs	7,892	4,472	(12,364)	-	8	<b>8</b>
<b>Total Expenditure</b>	<b>59,439</b>	<b>30,411</b>	<b>(26,208)</b>	<b>63,642</b>	<b>7,033</b>	<b>70,675</b>
<b>Surplus/deficit on the provision of Services</b>	<b>10,197</b>	<b>6,358</b>	<b>(12,363)</b>	<b>4,192</b>	<b>(3,794)</b>	<b>398</b>

Restated 2012/13 Comparative Figures	Service analysis £'000	Not reported to management £'000	Not included in CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and other income	(11,537)	(26,384)	4,296	<b>(33,625)</b>	(4,296)	<b>(37,921)</b>
Interest and Investment income	-	(86)	-	<b>(86)</b>	(46)	<b>(132)</b>
Income from Council Tax Government grants and Contributions	-	-	-	-	(5,814)	<b>(5,814)</b>
Internal Recharge	(31,877)	-	343	<b>(31,534)</b>	(5,000)	<b>(36,534)</b>
	(7,212)	(2,620)	9,687	<b>(145)</b>	242	<b>97</b>
<b>Total Income</b>	<b>(50,626)</b>	<b>(29,090)</b>	<b>14,326</b>	<b>(65,390)</b>	<b>(14,914)</b>	<b>(80,304)</b>
Employee Expenses	13,657	3,506	(331)	<b>16,832</b>	22	<b>16,854</b>
Other Service Expenses	45,388	15,469	(2,420)	<b>58,437</b>	823	<b>59,260</b>
Interest Payments	-	-	(3,248)	<b>(3,248)</b>	8,486	<b>5,238</b>
Capital Charges	1,425	10,033	(11,458)	-	-	-
Loss on disposal of Assets	-	-	-	-	-	-
Housing Settlement	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	523	<b>523</b>
Gain on Disposal Precepts	-	-	(4,110)	<b>(4,110)</b>	3,457	<b>(653)</b>
	-	-	-	-	8	<b>8</b>
<b>Total Expenditure</b>	<b>60,470</b>	<b>29,008</b>	<b>(21,567)</b>	<b>67,911</b>	<b>13,319</b>	<b>81,230</b>
<b>Surplus/deficit on the provision of Services</b>	<b>9,844</b>	<b>(82)</b>	<b>(7,241)</b>	<b>2,521</b>	<b>(1,595)</b>	<b>926</b>



## 29. Trading operations

Trading undertakings are activities of a commercial nature which are financed substantially by charges made to the recipients of the service. Commercial properties, business centres and the outdoor market are operated on this basis.

Trading operations are not integral or support the Council's services to the public therefore the trading services deficit should be charged to other operating expenditure and investment property surplus should be charged as financing and investment income and expenditure.

2012/13 £'000	Service	2013/14 £'000	
	<i>Investment property</i>		
3,090	Land and property holdings	(118)	
75	Business centres	66	
<b>3,165</b>	<b>Financing and investment income and expenditure</b>		<b>(52)</b>
	<i>Trading services</i>		
9	Civic suite hire	14	
(26)	Market	(18)	
<b>(17)</b>	<b>Other operating expenditure</b>		<b>(4)</b>
<b>3,148</b>	<b>Net (surplus)/loss on trading operations</b>		<b>(56)</b>

Turnover and expenditure details for significant trading undertakings are as follows:-

Undertaking	2012/13 £'000	2013/14 £'000
The Council manages and lets industrial and commercial units located in various parts of the borough – the trading objective is to maximise the surplus.	Turnover	(552)
	Dilapidations	(558)
	Lease premium	(434)
	Expenditure	524
	Loss/(gain) on revaluation	4,110
	<b>Deficit/(Surplus)</b>	<b>3,090</b>
The Council operates three business centres which provide affordable premises for new and small businesses – the trading objective is to break even after excluding capital charges	Turnover	(425)
	Expenditure	500
	<b>Deficit</b>	<b>75</b>
The Council operates an outdoor market generating rental income from stallholders - the trading objective is to maximise the surplus.	Turnover	(115)
	Expenditure	89
	<b>Surplus</b>	<b>(26)</b>

## 30. Members' allowances

Members' allowances paid in the year were £136,759 (£124,749 in 2012/13). Expenses of £2,849 (£3,319 in 2012/13) were paid in addition to members' allowances. The scheme for members' allowances was introduced in 2002/03. An independent panel has been formed to evaluate the remuneration to be made to members for the duties they perform.

2012/13 £'000		2013/14 £'000
87	Basic allowances	97
38	Special responsibility	40
3	Expenses	3
<b>128</b>		<b>140</b>

## 31. Employee remuneration

From 2010/11 Redditch Borough Council and Bromsgrove District Council have employed a joint management team; all the costs of this are shared equally. The table shows those employed by **Redditch Borough Council**. Bromsgrove District Council are recharged 50% of their salary and

remuneration, The Chief Executive, Section 151 Officer and Monitoring Officer are all employed by Bromsgrove District Council and therefore are not included in the table below.

The total remuneration of senior employees (including pension contributions) is as follows:-

**2013/14**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
<b>Executive Director of Planning &amp; Regeneration, Regulatory &amp; Housing</b>	70,618	-	70,618	7,980	78,598
<b>Executive Director of Leisure, Environment &amp; Community</b>	102,000	-	102,000	11,526	113,526
	<b>172,618</b>	<b>0</b>	<b>172,618</b>	<b>19,506</b>	<b>192,124</b>
Share to Bromsgrove District Council (50%)	86,309	-	86,309	9,753	96,062

**2012/13 comparative figures**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
<b>Executive Director of Planning &amp; Regeneration, Regulatory &amp; Housing</b>	92,500	-	92,500	10,452	102,952
<b>Executive Director of Leisure, Environment &amp; Community</b>	102,000	7	102,007	11,526	113,533
	<b>194,500</b>	<b>7</b>	<b>194,507</b>	<b>21,978</b>	<b>216,485</b>
Share to Bromsgrove District Council (50%)	97,250	4	97,254	10,989	108,243

Officers in the joint management team employed by **Bromsgrove District Council** are 50% funded by Redditch Borough Council. Their total remuneration for 2013/14 is shown in the table below.

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive	127,500	39	127,539	13,388	140,927
Executive Director of Finance & Resources	92,500	-	92,500	9,712	102,212
Head of Legal & Democratic Services	76,500	-	76,500	8,033	84,533
	296,500	39	296,539	31,133	327,672
<b>Share to Redditch Borough Council (50%)</b>	<b>148,250</b>	<b>20</b>	<b>148,270</b>	<b>15,566</b>	<b>163,836</b>

#### 2012/13 Comparative figures

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive	127,500	19	127,519	13,388	140,907
Executive Director of Finance & Resources	92,500	0	92,500	9,712	102,212
Head of Legal & Democratic Services	76,500	1,269	77,769	8,033	85,802
	296,500	1,288	297,788	31,133	328,921
<b>Share to Redditch Borough Council (50%)</b>	<b>148,250</b>	<b>644</b>	<b>148,894</b>	<b>15,566</b>	<b>164,460</b>

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

Remuneration band	2012/13	2013/14
	Number of employees	Number of employees
£50,000 - £54,999	-	3
£55,000 - £59,999	1	1
£60,000 - £64,999	3	2
£65,000 - £69,999	1	-
£70,000 - £74,999	1	-
£75,000 - £79,999	3	3
£80,000 - £84,999	-	1
	9	10

## 2013/14 Termination costs

The Council terminated the contracts of a number of employees in 2013/14. 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.

### 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0-£20,000	-	3	16	8	16	11	107,666	62,280
£20,001-£40,000	-	1	3	2	3	3	67,821	83,408
£40,001-£60,000	-	-	-	1	0	1	-	52,375
£60,001 - £80,000	-	-	1	-	1	-	67,223	-
£150,001-£200,000	-	1	-	-	-	1	-	189,507
<b>Total</b>	<b>0</b>	<b>5</b>	<b>20</b>	<b>11</b>	<b>20</b>	<b>16</b>	<b>242,710</b>	<b>387,570</b>

Of the above, £164,694 has been charged to Bromsgrove District Council in 2013/14 where officers were made redundant as part of the Council's shared service agenda.

Bromsgrove District Council charged Redditch Borough Council £46,041 where officers were made redundant as part of the shared service agenda. Bromsgrove District Council exit packages are set out in the table below.

### 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0-£20,000	-	1	6	9	6	10	64,136	91,153
£20,001-£40,000	-	-	2	2	2	2	49,604	67,088
£40,001-£60,000	-	-	1	1	1	1	43,190	43,776
£80,001-£100,000	-	-	0	1	0	1	0	90,389
<b>Total</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>13</b>	<b>9</b>	<b>14</b>	<b>156,930</b>	<b>292,406</b>

## 32. External Audit Costs

External audit services to the Council were provided by Grant Thornton in relation to the audit of the Statement of Accounts and certification of grant claims. Refunds and rebates of previous years' audit fees totalling £17,000 were received from the Audit Commission. £1,500 was paid to Worcester City Council for services charges audit certification.

2012/13 £000		2013/14 £000
76	Accrued fees payable with regard to external audit services	77
-	Refunds & rebates re previous years	(17)
27	Fees paid with regard to the certification of grant claims and returns	19
<b>103</b>	<b>Total</b>	<b>79</b>

## 33. Related Parties

The Council 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 Council.

### **Central Government**

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

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 30. During 2013/14, no material works and services were commissioned from companies in which members had an interest. Grants totalling £123,000 were paid to the Redditch Citizens Advice Bureau and £27,000 was paid to Age Concern both of which 1 member had an interest.

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' interest, open to public inspection at the Town Hall during office hours.

### **Officers**

There were no disclosures made by officers in 2013/14.

### **Entities Controlled or Significantly Influenced by the Council**

The Council shares a number of services with Bromsgrove District Council. Total receivable from Bromsgrove District Council, including the cost of hosting these services was £2,889,000 (£680,000 of which was unpaid at 31 March 2014), whilst £2,691,000 (£759,000 of which was unpaid at 31 March 2014) was payable to Bromsgrove District Council in 2013/14.

Under the Worcestershire Enhanced Two Tier (WETT) programme, Asset, Estates and Audit Services are provided by partner Councils. In 2013/14, a total of £425,000 was payable to Worcestershire County Council and Worcester City Council (£104,000 of which was unpaid at 31 March 2014).

As part of Worcestershire Regulatory Services, £606,000 was payable to Bromsgrove District Council (£33,000 of which was unpaid at 31 March 2014) for hosting Environmental Health and Licensing. £42,000 was receivable from Worcestershire Regulatory Services.

Shared service arrangements also exist for Economic Development, Markets, Emergency Planning and Land Drainage hosted by Wyre Forest District Council. Total payment for these services was £301,000. The Council provided Procurement and Payroll services to Wyre Forrester for which it received £65,000.

The Council paid £119,000 to Wychavon District Council for the provision of Car Parking services.

### 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2012/13 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	80	2,897
New Burden Grants	15	78
New Homes Bonus	283	430
Small Business Rate Relief compensation	-	248
Transition Grant	-	22
Capitalisation Redistribution	-	15
Council Tax Freeze Grant	144	58
<b>Total</b>	<b>522</b>	<b>3,748</b>
<b>Credited to Services</b>		
Benefits Subsidy	30,675	24,409
Benefits Administration	775	626
Concessionary Fares	9	10
Homelessness	99	-
High Street Innovation Grant	110	-
Elections	83	12
Other	6	-
<b>Total</b>	<b>31,757</b>	<b>25,057</b>
<b>Capital Grants and contributions</b>		
<i>Used to fund capital expenditure in year:</i>		
Kick Start (applied to revenue)	64	-
Disabled Facilities Grant (applied to revenue)	308	296
"Choose how you move" (Worcestershire County Council)	29	-
Other	24	5
<i>Transferred to Capital Grants Unapplied account:</i>		
Developers' contributions	244	87
Disabled Facilities Grant	33	-
Other	-	13
<i>Transferred from Capital Received in Advance account:</i>		
Warmer Worcestershire	15	8
<b>Total</b>	<b>717</b>	<b>409</b>

## 35. Capital expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

2012/13 £'000		2013/14 £'000
<b>41,558</b>	<b>Opening capital financing requirement</b>	<b>39,844</b>
	<b>Capital investment:</b>	
7,774	Property, plant and equipment	9,395
77	Investment properties	20
23	Intangible assets	34
454	Revenue expenditure funded from capital under statute	422
	<b>Sources of finance:</b>	
(2,754)	Capital receipts	(672)
(463)	Government grants & other contributions	(443)
(5,914)	Major repairs allowance	(7,477)
	<i>Sums set aside from revenue</i>	
(107)	Direct revenue contributions	(58)
(804)	Minimum Revenue Provision	(866)
<b>39,844</b>	<b>Closing capital financing requirement</b>	<b>40,199</b>
	<b>Explanation of movements in year</b>	
(1,714)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	355
<b>(1,714)</b>	<b>Increase /(decrease) in capital financing requirement</b>	<b>355</b>

## 36. Leases

### The Council as Lessee

#### Finance Leases

The Council currently has no finance leases.

#### Operating Leases

The Council has acquired part of its fleet of motor vehicles by entering into operating leases, over a period of five years. It also leases photocopiers and other office equipment. The Rubicon Centre is leased with a remaining lease period of just over three years. This is a business centre sub-let to small businesses. At 31 March 2014, the minimum payments expected under sub-leases were £432,800 (£580,300 at 31 March 2013).

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

	31 March 2013 £'000	31 March 2014 £'000
Not Later than one year	578	224
Later than one year and not later than five years	329	237
	<b>907</b>	<b>461</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2013 £'000	31 March 2014 £'000
Minimum lease payments	461	461
Sub-lease payments receivable	(126)	(121)
	<b>335</b>	<b>340</b>

### The Council as Lessor

#### Finance Leases

The Council has leased out property at Threadneedle House to the Post Office on a financing leases with remaining term of 18 years.

The Council 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

Council in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease debtor	395	386
Unearned finance income	469	433
Unguaranteed residual value of property	61	61
<b>Gross investment in the lease</b>	<b>925</b>	<b>880</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31 March 2013 £'000	31 March 2014 £'000
<b>Gross investment in the lease</b>		
Not Later than one year	46	46
Later than one year and not later than five years	184	184
Later than five years	695	650
	<b>925</b>	<b>880</b>

	31 March 2013 £'000	31 March 2014 £'000
<b>Minimum lease payments</b>		
Not Later than one year	46	46
Later than one year and not later than five years	184	184
Later than five years	634	589
	<b>864</b>	<b>819</b>

### 37. Impairment losses

The Council recognised net revaluation losses of £1.166million in relation to property.

£4,000 was charged to Other Operating Services for losses on revaluation of assets held for sale. A charge of £1.162million was made to Cost of Services, £1.073million revaluation losses on HRA property and £89,000 on losses on revaluation of other property.

Disposal of the former swimming pool site in Hewell Road for social housing to Accord Housing for £1 was approved during the year. The site was revalued to £1 from its carrying value of £512,000. A balance of £490,000 was held in the Revaluation Reserve for this property, so the charge to Cost of Services was £22,000.

### 38. Defined Benefit Pension Scheme

(2012/13 disclosures have been restated to the current IAS19 basis where appropriate)

#### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered locally by Worcestershire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yield and the performance of the equity investments held in the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as highlighted in the Statement of Accounting Policies.

#### Discretionary Post-retirement Benefits

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



## Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported costs of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year;

	Redditch Borough Council				Shared Regulatory Services	
	Local Government Pension Scheme		Discretionary Benefits Arrangements		Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of services</b>						
<i>Service cost comprising:</i>						
Current service cost	1,952	2,479	-	-	59	71
Past service cost	-	49	-	-	-	-
Settlements and curtailments	24	273	-	-	8	2
Administration expenses	31	42	-	-	1	1
<i>Financing &amp; Investment Income and expenditure</i>						
Net interest cost	2,361	2,397	162	145	6	11
<b>Total Post-employment Benefits charged to Surplus or Deficit on the Provision of Services</b>	<b>4,368</b>	<b>5,240</b>	<b>162</b>	<b>145</b>	<b>74</b>	<b>85</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>						
<i>Remeasurement of the net defined benefit comprising:</i>						
Return on plan assets(excluding amount included in the net interest expense)	(6,323)	(2,337)	-	558	(187)	267
Actuarial (gains)/losses arising on changes in demographic assumptions	1,261	844	23	16	28	18
Actuarial (gains)/losses arising on changes in financial assumptions	12,889	(11,426)	240	(116)	250	(113)
Other						
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,195</b>	<b>(7,679)</b>	<b>425</b>	<b>603</b>	<b>165</b>	<b>257</b>
<i>Movement in reserves statement</i>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,368)	(5,240)	(162)	(145)	(74)	(85)
<i>Actual amount charged against the General Fund balance for pensions in the year</i>						
Employers' contribution payable to scheme	3,135	3,500	274	279	49	42
Retirement benefits payable to pensioners	(4,161)	(4,402)	(274)	(279)	(52)	(64)

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Redditch Borough Council				Shared Regulatory Services	
	Local Government Pension Scheme		Discretionary Benefits Arrangements		Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Present value of the defined benefit	132,117	120,963	3,596	3,920	2,472	2,437
Fair value of plan assets	(73,297)	(73,322)	-	-	(2,219)	(1,968)
<b>Net liability arising from defined benefit obligation</b>	<b>58,820</b>	<b>47,641</b>	<b>3,596</b>	<b>3,920</b>	<b>253</b>	<b>469</b>

## Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Redditch Borough Council				Shared Regulatory Services	
	Local Government Pension Scheme		Discretionary Benefits Arrangements		Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Opening fair value of the defined benefit	64,200	73,297	-	-	1,917	2,219
Interest income	3,138	3,074	-	-	98	97
<i>Remeasurement gain/(loss):</i>						
The return on plan assets, excluding the amount included in the net interest expense	6,323	(2,778)	-	-	186	(346)
Administrative expenses	(31)	(42)	-	-	(1)	(1)
Contributions from employer	3,409	3,500	274	279	49	41
Contributions from employees into the scheme	693	673	-	-	22	21
Benefits paid	(4,435)	(4,402)	(274)	(279)	(52)	(63)
<b>Closing Fair Value of Scheme Assets</b>	<b>73,297</b>	<b>73,322</b>	<b>-</b>	<b>-</b>	<b>2,219</b>	<b>1,968</b>

## Reconciliation of Present Value of the Scheme Liabilities

	Redditch Borough Council				Shared Regulatory Services	
	Local Government Pension Scheme		Discretionary Benefits Arrangements		Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Opening balance	113,960	132,117	3,445	3,596	2,054	2,472
Current service cost	1,952	2,479	-	-	59	71
Interest cost	5,499	5,471	162	145	104	108
Contributions from scheme participants	693	673	-	-	22	21

<i>Remeasurement (gain)/loss:</i>						
Experience (gain)/loss	-	(5,115)	-	558	-	(79)
- Actuarial gains/ losses arising from changes in demographic assumptions	12,889	844	23	16	28	18
- Actuarial gains/ losses arising from changes in financial assumptions	1,261	(11,426)	240	(116)	250	(113)
Past service costs	-	49	-	-	-	-
Losses/(gains) on curtailment	24	273	-	-	8	2
Benefits paid	(4,161)	(4,402)	(274)	(279)	(53)	(63)
<b>Closing balance at 31 March</b>	<b>132,117</b>	<b>120,963</b>	<b>3,596</b>	<b>3,920</b>	<b>2,472</b>	<b>2,437</b>

### Local Government Pension Scheme Assets Comprised:

	Redditch Borough Council		Shared Regulatory Services	
	Fair value of scheme assets		Fair value of scheme assets	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Cash and cash equivalents	2,712	1,760	82	47
<i>Equity instruments:</i>				
- UK quoted	18,178	18,990	550	510
- Overseas quoted	28,366	26,396	859	709
- PIV UK Managed funds	8,209	8,579	248	230
- PIV UK Managed funds (overseas equities)	10,042	12,538	304	336
- PIV Overseas Managed funds	1,173	440	36	12
<b>Sub-total equity</b>	<b>65,968</b>	<b>66,943</b>	<b>1,997</b>	<b>1,797</b>
<i>Bonds:</i>				
- UK Corporate	586	513	18	14
- Overseas Corporate	4,031	4,106	122	110
<b>Sub-total bonds</b>	<b>4,617</b>	<b>4,619</b>	<b>140</b>	<b>124</b>
<b>Total assets</b>	<b>73,297</b>	<b>73,322</b>	<b>2,219</b>	<b>1,968</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including mortality rates and salary levels. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries. The last full valuation of the scheme was as at 1 April 2013.

The significant assumptions used by the actuary have been:

Assumptions	Redditch Borough Council		Shared Regulatory Services	
	Local Government Pension Scheme & Discretionary Benefits		Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Long term expected rate of return on assets in the scheme</b>				
Equity investments	7.0%	7.0%	7.0%	7.0%
Government Bonds	2.8%	3.4%	2.8%	3.4%
Other Bonds	3.9%	4.3%	3.9%	4.3%

Cash/liquidity	0.5%	0.5%	0.5%	0.5%
<b>Mortality Rates</b>				
Longevity at 65 for future pensioners(years)				
- Male	24.3	25.5	24.3	25.5
- Female	27	28	27	28
Longevity at 65 for current pensioners(years)				
- Male	22.5	23.3	22.5	23.3
- Female	25	25.7	25	25.7
Rate of inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.6%	4.2%	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of 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 assumptions in longevity, 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.

	<b>Redditch Borough Council Impact on the Defined Benefit Obligation Scheme Increase in assumption £,000</b>	<b>Shared Regulatory Services Impact on the Defined Benefit Obligation Scheme Increase in assumption £,000</b>
Longevity (increase or decrease in 1 year)	2,117	64
Rate of inflation (increase or decrease by 0.1%)	2,141	64
Rate of increase in salaries (increase or decrease by 0.1%)	2,070	62
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	2,002	60

### **Impact on the Council's Cash Flows**

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 21 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 services 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 Council anticipated to pay £3.844million expected contributions to the scheme in 2014/15.

## 39. Contingent Liabilities

### *NNDR Appeals*

The Council has made a provision for NNDR appeals of £1.128million 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.

## 40. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Finance and Resources, under policies approved by the Council in the annual treasury management policy statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas credit risk, and the investment of surplus cash.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with credit ratings acceptable to the Head of Financial and Revenue Services. The Council has a policy of not lending more than £2.5million to any one bank or financial institution. Council funds are managed by officers on a daily basis and the Council has a policy not to lend to any institutions outside of the UK, to minimise the exposure to risk.

The Council had no funds invested with financial institutions at 31 March 2014.

The Council regularly reviews outstanding debtors and calculates a potential for default, based on default and collectability over the last five financial years, adjusted if necessary to reflect market conditions.

	<b>Balance sheet at 31 March 2014</b>	<b>Historical experience of default</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2013</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2014</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Trade and other debtors	1,631	6.34	97	103

The Council does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than three months	832	1,026
Three to six months	92	51
Six months to one year	145	126
More than one year	716	428
	<b>1,785</b>	<b>1,631</b>

### Liquidity risk

The Council operates a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market 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. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is summarised as follows:

	£'000
Less than one year	13,000
Between one & five years	24
More than five years	106,297
	<b>119,321</b>

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

Included within the long-term borrowing is a £5,000,000 loan due to mature in 2032 with an interest rate of 4.71%. The loan is a maturity loan and the fair value of this loan as at the 31 March 2014 is £6,173,000. In addition, the Council was required to take on additional borrowing of £98,929,000 in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of the following loans:

Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate	Fair Value at 31 March 2014 £'000
28/03/12	28/03/27	15,000	3.01%	15,084
28/03/12	28/03/32	25,000	3.30%	25,244
28/03/12	28/03/37	40,000	3.44%	40,521
28/03/12	28/03/42	18,929	3.50%	19,275
		<b>98,929</b>		<b>100,124</b>

The Council entered into an interest free Salix Energy Efficiency Loan Scheme in 2010/11 which is repayable over 4 years. The amount outstanding as at the 31 March 2014 is £23,958.

The Council's short term borrowing at 31 March 2014 is as below:-

Borrowed from	Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate
Ceredigion County Council	31/03/2014	01/04/2014	2,000	0.30%
London Borough of Hillingdon	07/02/2014	01/05/2014	3,000	0.45%
London Borough of Ealing	24/03/2014	02/06/2014	2,000	0.42%
Oldham Metropolitan Borough Council	24/03/2014	16/06/2014	3,000	0.38%
Derbyshire Superannuation Fund	18/03/2014	15/07/2014	3,000	0.42%
			<b>13,000</b>	

## Market risk

### Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account 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 upon the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

To limit interest rate risk the Council does not currently have any of its borrowing in variable rate loans.

The Head of Finance and Resources has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

The Council had no investments at 31<sup>st</sup> March 2014.

### Price risk

The Council does not invest in equity shares and is therefore not exposed to losses arising from movement in the price of shares.

### Foreign exchange risk

The Council has no financial assets nor liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 41. Trust Fund

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

Trust	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
<b>2013/14</b>				
Paolozzi Mural Fund	-	-	136	-
<i>The purpose of the trust is to ensure that the murals remain in Millward Square and can be readily viewed by the public</i>				
<b>2012/13</b>				
Paolozzi Mural Fund	-	-	136	-

### Paolozzi Murals

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 Millward Square in the Kingfisher Centre. The murals are held on trust by Redditch Borough Council and its co-trustees. 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 Millward 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 currently amounts to £136,000 and is held by Redditch Borough Council.

The Council has a nil value leasehold interest, the murals are leased from the owners of the Kingfisher Centre who insure and maintain them. They do not appear on the Council's Balance Sheet. The mural fund does not represent an asset of the council and has not been included in the Balance Sheet.

## 42. Prior year adjustments

### IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international reporting standard *IAS19 Employee Benefits*. This has resulted in changes to the accounting treatment for financial years stating on or after 1 January 2013. In order to be consistent the 2012/13 comparative figures have been restated in line with these changes. The main changes are as follows:

- **Expected Return on Assets**  
This is in relation to the return on pension scheme assets such as those held by Worcestershire County Council Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using expected return on assets assumptions).
- **Asset Disclosures**  
IAS19 requires a more detailed breakdown of the pension fund assets. The value of the assets broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not.

The impact of these changes to the Councils published core statements are shown in the tables below. Where disclosures have been restated in line with the adjustments, the 2012/13 column is headed as "Restated 2012/13". There is no impact on the balance sheet.

### Comprehensive Income and Expenditure Statement

	2012/13 Net Expenditure	IAS19 Pensions restatement	Restated 2012/13 Net Expenditure
	£'000	£'000	£'000
<b>Cost of Services</b>	<b>2,472</b>	<b>49</b>	<b>2,521</b>
Other operating expenditure	(29)	32	3
Financing and Investment Income and Expenditure	4,281	825	5,106
Loss on revaluation of investment property	4,110	-	4,110
Taxation and non-specific grant income	(10,814)	-	(10,814)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>20</b>	<b>906</b>	<b>926</b>
(Surplus)/deficit on revaluation of non-current assets	(404)	-	(404)
Actuarial gains/losses on pension assets/liabilities	9,087	(906)	8,181
<b>Other Comprehensive Income and Expenditure</b>	<b>8,683</b>	<b>(906)</b>	<b>7,777</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>8,703</b>	<b>-</b>	<b>8,703</b>



**Movement in Reserves Statement  
2012/13 Statement  
of Accounts**

	Usable reserves									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2012</b>	1,073	2,921	918	6,479	1,686	1,576	399	15,052	62,702	77,754
<b><u>Movement in Reserves During 2012/13</u></b>										
Surplus/(deficit) on the provision of services	(4,572)	-	4,552	-	-	-	-	(20)	-	(20)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(8,683)	(8,683)
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,572)</b>	<b>-</b>	<b>4,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>(8,683)</b>	<b>(8,703)</b>
Adjustments between accounting basis and funding basis under regulations	4,997	-	(1,641)	-	802	(66)	255	4,347	(4,347)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>425</b>	<b>-</b>	<b>2,911</b>	<b>-</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
Transfers to/from Earmarked Reserves	(498)	498	(3,012)	3,012	-	-	-	-	-	-
<b>Increase/Decrease in 2012/13</b>	<b>(73)</b>	<b>498</b>	<b>(101)</b>	<b>3,012</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>1,510</b>	<b>654</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>

**IAS19 Pensions restatement**

	Usable reserves									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2012</b>	-	-	-	-	-	-	-	-	-	-
<b><u>Movement in Reserves During 2012/13</u></b>										
Surplus/(deficit) on the provision of services	(653)	-	(253)	-	-	-	-	(906)	-	(906)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	906	906
<b>Total Comprehensive Income and Expenditure</b>	<b>(653)</b>	<b>-</b>	<b>(253)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(906)</b>	<b>906</b>	<b>-</b>
Adjustments between accounting basis and funding basis under regulations	653	-	253	-	-	-	-	906	(906)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers to/from Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
<b>Increase/Decrease in 2012/13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Restated 2012/13	Usable reserves									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>1,073</b>	<b>2,921</b>	<b>918</b>	<b>6,479</b>	<b>1,686</b>	<b>1,576</b>	<b>399</b>	<b>15,052</b>	<b>62,702</b>	<b>77,754</b>
<b><u>Movement in Reserves During 2012/13</u></b>										
Surplus/(deficit) on the provision of services	(5,225)	-	4,299	-	-	-	-	(926)	-	(926)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(7,777)	(7,777)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,225)</b>	<b>-</b>	<b>4,299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(926)</b>	<b>(7,777)</b>	<b>(8,703)</b>
Adjustments between accounting basis and funding basis under regulations	5,650	-	(1,388)	-	802	(66)	255	5,253	(5,253)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>425</b>	<b>-</b>	<b>2,911</b>	<b>-</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
Transfers to/from Earmarked Reserves	(498)	498	(3,012)	3,012	-	-	-	-	-	-
<b>Increase/Decrease in 2012/13</b>	<b>(73)</b>	<b>498</b>	<b>(101)</b>	<b>3,012</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>1,510</b>	<b>654</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>

## The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Restated 2012/13 £'000	Notes		2013/14 £'000	2013/14 £'000
		<b>Expenditure</b>		
4,253		Repairs and Maintenance	4,618	
4,141		Supervision and Management	4,114	
166		Rent, rates, taxes and other charges	194	
5,893	7	Depreciation	5,978	
39		Debt Management costs	35	
120		Subsidy limitation transfer to General Fund	97	
(1,331)		Revaluation loss/(reversal of previous loss)	1,073	
132	10	Movement on allowance for bad debts	181	
<b>13,413</b>		<b>Total expenditure</b>		<b>16,290</b>
		<b>Income</b>		
(22,259)	1	Dwelling Rents	(23,416)	
(492)		Non-dwelling Rents	(501)	
(177)		Charges for Services and Facilities	(297)	(24,214)
<b>(22,928)</b>		<b>Total income</b>		
(9,515)		Net cost of HRA services as included in Comprehensive Income and Expenditure Account		(7,924)
664		HRA share of Corporate and Democratic Core		688
<b>(8,851)</b>		<b>Net (Income)/expenditure for HRA Services</b>		<b>(7,236)</b>
		<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(302)		(Gain) or loss on sale of HRA non-current assets		(658)
4,146		Interest payable and similar charges		4,137
(86)		Interest received		(66)
794		Pension net interest costs		801
<b>(4,299)</b>		<b>(Surplus)/deficit for the year on HRA services</b>		<b>(3,022)</b>

## Movement on the HRA Statement

Restated 2012/13 £'000	Notes		2013/14 £'000	2013/14 £'000
(918)		Balance on the HRA at 1 April		(817)
(4,299)		(Surplus)/deficit for the year on HRA services	(3,022)	
1,387	11	Adjustments between accounting basis and funding basis under statute	(693)	
(2,912)		Net increase before transfers to reserves	(3,715)	
3,013	12	Transfers to reserves	3,500	
101		(Increase)/decrease in the year on the HRA		(215)
<b>(817)</b>		<b>Balance on the HRA at 31 March</b>		<b>(1,032)</b>

## Notes to the HRA Statement

### 1. Dwelling rent income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.27% of properties were vacant (0.67% in 2012/13). Average rents were £74.78 a week (52 week basis) in 2013/14, an increase of £2.84 or 3.95% over the previous year.

### 2. Housing stock

The Council was responsible for managing an average stock of 5,964 dwellings during 2013/14. The change in the number of properties is shown below.

2012/13 Number of Properties		2013/14 Number of Properties
5,999	Owned on April 1	5,984
3	Reclassified	-
1	Purchased	3
(19)	Sales in year	(43)
<b>5,984</b>	<b>Owned on 31 March</b>	<b>5,944</b>

The dwelling stock is made up of the following types of properties

2012/13 Number of Properties	Property type	2013/14 Number of Properties
1,566	One bedroom flats	1,560
561	Two bedroom flats	561
30	Three or more bedroom flats	30
661	One bedroom houses	661
920	Two bedroom houses	914
2,026	Three bedroom houses	2,002
177	Four or more bedroom houses	173
43	Non-permanent dwellings	43
<b>5,984</b>		<b>5,944</b>

The Balance Sheet value of the land, houses and other property within the housing revenue account at 31 March 2014 was £212million. Council dwellings were re-valued at 31 March 2014. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5<sup>th</sup> Edition. The valuation was carried out by the Council's valuer, Mr J Dunstall, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social Housing. The housing stock was valued at £208million (the balance sheet valuation prior to revaluation was £208million). The valuation did not include the notional directly attributable acquisition costs that were determined to be £4.227 million.

	Assets held for sale £'000	Dwellings £'000	Other £'000
<b>Gross value at 1 April 2013</b>	237	208,462	3,544
Additions in year –subsequent expenditure	-	8,160	-
Transfers in year	-	-	-
Disposals in year	-	(1,532)	-
Revaluations	-	(7,052)	13
<b>Gross balance sheet value at 31 March 2014</b>	237	208,038	3,557
Depreciation	-	-	(235)
<b>Net balance sheet value at 31 March 2014</b>	<b>237</b>	<b>208,038</b>	<b>3,322</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 31 March 2014 was £611 million.

The vacant possession value and the Balance Sheet value of dwellings within the Housing Revenue Account show the economic costs to Government of providing council housing at less than open market rents.

The valuation includes 28 properties used for purposes other than as a dwelling in addition to the 5,944 properties listed in the dwelling type schedule above.

### 3. Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. The main credit to the Major Repairs Reserve is an amount equivalent to the depreciation charge on Housing Revenue Account assets. The reserve can be used only for capital expenditure on Housing Revenue Account assets.

	<b>Major Repairs Reserve £'000</b>
<b>Balance at 1 April 2013</b>	<b>(1,510)</b>
Transfer from Capital Adjustment Account	7,476
Reversal of Major Repairs Allowance credited to the HRA	(5,966)
Depreciation on non-dwelling assets	(12)
<b>Balance at 31 March 2014</b>	<b>(12)</b>

### 4. Housing Repairs Account

The movements on the Housing Repairs Account are summarised below:-

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
3,971	Expenditure in year	4,333
316	Administration costs	307
(34)	Income in year	(22)
(4,253)	Contribution from Housing Revenue Account	(4,618)
<b>0</b>	<b>Transfer from/to specific reserve</b>	<b>0</b>

### 5. Capital expenditure

During the year a total of £8,160 million capital expenditure was incurred on land, houses and other assets within the Housing Revenue Account.

<b>2012/13 £'000</b>	<b>Funding source</b>	<b>2013/14 £'000</b>
5,914	Housing Major Repairs Reserve	7,476
-	Borrowing	-
-	Grants and contributions	11
172	Capital receipts	673
<b>6,086</b>	<b>Total capital expenditure</b>	<b>8,160</b>

### 6. Capital receipts

The Council received £2.247 million capital receipts income from the sale of 43 houses under the Right to Buy Scheme. Disposals of property on the open market generated £2.247 million.

### 7. Depreciation

The Council is required to charge depreciation on all Housing Revenue Account properties calculated in accordance with proper practices. For Housing Revenue Account dwellings these proper practices need to be considered in the context of the major repairs allowance which the government has introduced. It represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period, based on the Council's own mix of dwelling types. It is

considered that the major repairs allowance is likely to constitute a reasonable estimate of depreciation. Accordingly, the major repairs allowance has been used as an estimate of depreciation charges in respect of housing revenue account dwellings in these accounts. Use of the Major Repairs Allowance (MRA) is still considered an appropriate depreciation policy for the re-valued housing assets. The total charge for depreciation on operational assets for 2013/14 is £5,978,176 (£5,966,080 MRA for council dwellings and £12,096 vehicles, plant, furniture and equipment).

## 8. HRA share of contributions to or from the Pensions Reserve

Contributions to or from the Pensions Reserve have been apportioned to the Housing Revenue Account pro rata pensionable pay.

Restated 2012/13 £'000	Pension Reserve movement	2013/14 £'000
(565)	Current service pensions costs adjustment	(523)
795	Net interest	801
230		278
	Housing Revenue Account share of contributions to/from Pensions Reserve	
(1,304)	Sum of items	(1,469)
1,074	Employers contributions	1,191
<b>0</b>	<b>Net effect on Housing Revenue Account</b>	<b>0</b>

## 9. Rent arrears

During the year 2013/14 gross rent arrears as a proportion of gross rent income has increased from 4.4% to 5.5%. Arrears at 31 March 2014 were £1,291,312 (31 March 2013 £994,481). Arrears written off during the year amounted to £181,000 (£150,000 in 2012/13).

## 10. Provision for bad debts

2012/13 £'000		2013/14 £'000
434	Balance at 1 April	416
132	(Decrease)/increase in provision	181
(150)	Written off in year	(171)
<b>416</b>	<b>Balance at 31 March</b>	<b>426</b>

## 11. Adjustments between accounting basis and funding under regulations

Restated 2012/13 £'000	Adjustment	2013/14 £'000
28	Short term compensated absences adjustment	1
(230)	Pension Reserve movements	(279)
302	Gain on sale of assets	658
1,331	Revaluation loss/(reversal previous loss)	(1,073)
(44)	Depreciation adjustment	-
<b>1,387</b>	<b>Adjustments between accounting basis and funding under regulations</b>	<b>(693)</b>

## 12. Transfers to/ (from) earmarked reserves

2012/13		2013/14
£'000		£'000
6,479	Balance at 1 April	9,491
3,012	(Decrease)/increase in provision	3,500
<b>9,491</b>	<b>Balance at 31 March</b>	<b>12,991</b>

## The Collection Fund

Council Tax 2012/13 £'000	NNDR 2012/13 £'000	Note	Council Tax 2013/14 £'000	NNDR 2013/14 £'000
<b>Income</b>				
(35,257)	-	Council Tax	(35,981)	-
(6,481)	-	Transfers from General Fund		
-	(34,808)	<ul style="list-style-type: none"> <li>• Council Tax Benefits</li> </ul>	-	-
		Income collectable from Business Ratepayers		(34,349)
<b>(41,738)</b>	<b>(34,808)</b>	<b>Total Income</b>	<b>(35,981)</b>	<b>(34,349)</b>
<b>Expenditure</b>				
<i>Council Tax</i>				
Precepts and Demands				
5,784	-	<ul style="list-style-type: none"> <li>• Redditch Borough Council</li> </ul>	4,984	-
28,690	-	<ul style="list-style-type: none"> <li>• Worcestershire County Council</li> </ul>	24,717	-
4,935	-	<ul style="list-style-type: none"> <li>• West Mercia Police</li> </ul>	4,251	-
2,034	-	<ul style="list-style-type: none"> <li>• Hereford and Worcester Fire and Rescue</li> </ul>	1,752	-
<i>Business Rates</i>				
Share of NNDR income				
-	34,696	<ul style="list-style-type: none"> <li>• Payment to National Pool/Central Government</li> </ul>	-	17,803
-	-	<ul style="list-style-type: none"> <li>• Redditch Borough Council</li> </ul>	-	14,242
-	-	<ul style="list-style-type: none"> <li>• Worcestershire County Council</li> </ul>	-	3,205
-	-	<ul style="list-style-type: none"> <li>• Hereford and Worcester Fire and Rescue</li> </ul>	-	356
-	-	Transitional Protection payments	-	318
-	112	NNDR Cost of Collection Allowance	-	112
80	-	<b>4</b> Bad and doubtful debts		
	-	<ul style="list-style-type: none"> <li>• Increased provision</li> </ul>	258	302
-	-	<b>4</b> Provision for appeals	-	1,128
Contributions				
-	-	<ul style="list-style-type: none"> <li>• Towards previous year's estimated collection fund surplus/deficit</li> </ul>	256	-
<b>(215)</b>	<b>0</b>	<b>Movement on fund balance</b>	<b>237</b>	<b>3,117</b>
<b>Collection Fund Balance</b>				
(448)	-	Balance brought forward	(663)	-
<b>(663)</b>	<b>0</b>	<b>5 Fund (surplus)/deficit carried forward</b>	<b>(426)</b>	<b>3,117</b>



# Notes to the Collection Fund

## 1. General

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 Council in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their areas. It does however increase the financial risk due to non-collection and the volatility of NNDR rateable values.

The scheme allows the Council to retain a proportion of the total NNDR received. The Council retains 40% with the remainder paid to Central Government (50%), Worcestershire County Council (9%) and Hereford and Worcester Fire and Rescue Service (1%).

## 2. Income from council tax - the council tax base

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent). The council tax base for 2013/14 was 23,787.62 (27,611.67 for 2012/13). The reduction between years is a result of introduction of the Local Council Tax Support Scheme which replaced Council Tax Benefits with a locally determined discount to council tax payers.

The basic amount of council tax for a band D property (£1,500.60 for 2013/14) is multiplied by the proportion specified for the particular band to give the amount due for each band.

Council tax bills were based on the following proportions for bands A to H: -

Tax band	Number of properties	Adjusted for discounts	Proportion of band D	Band D equivalent	Council tax £
A(disabled)	13	11.75	5/9	6.53	833.66
A	7,313	3,796.79	6/9	2,531.19	1,000.42
B	11,496	8,336.94	7/9	6,484.28	1,167.15
C	7,144	6,018.34	8/9	5,349.63	1,333.87
D	4,249	3,849.80	1	3,849.80	1,500.60
E	3,113	2,921.79	11/9	3,571.08	1,834.09
F	1,101	1,052.74	13/9	1,520.63	2,167.55
G	430	410.86	15/9	684.76	2,501.02
H	16	15.00	18/9	30.00	3,001.22
<b>Total</b>	<b>34,875</b>	<b>26,414.01</b>		<b>24,027.90</b>	
				<i>Multiply by assumed collection rate</i>	99.00%
			<b>Tax base</b>		<b>23,787.62</b>

## 3. Business rates

Business rating is organised on a national 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. The multipliers were set at 47.1p and 46.2p for small businesses (the multipliers were 45.8p and 45.0p for small businesses in 2012/13).

The Council is responsible for collecting rates due from the ratepayers in its area. Following the introduction of the business rates retention scheme the Council no longer pays the total amount of NNDR collected into a national pool, but retains a proportion of the total collectable rates due (40%) and pays the remainder to Central Government (50%), Worcestershire County Council (9%) and Hereford and Worcester Fire and Rescue Service (1%).

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £17.803million to Central Government, £14.242million to Redditch Borough Council, £3.205million to

Worcestershire County Council, and £0.356million to Hereford and Worcester Fire and Rescue Service.

The total income collectable from business ratepayers was £34.349million (£34.808 in 2012/13).

The total non-domestic rateable value at 31 March 2014 was £84,263,323 (£85,434,193 at 31 March 2013).

#### 4. Bad and doubtful debts and NNDR provision for valuation appeals

The following provisions and write offs were made for council tax in the year:-

2012/13 £'000	Provision for bad debts - Council Tax	2013/14 £'000
1,786	Balance at 1 April	1,808
80	Increase in provision	258
(58)	Written off in year	(64)
<b>1,808</b>	<b>Balance at 31 March</b>	<b>2,002</b>

Provisions and write offs for business rates were made as follows:-

2012/13 £'000	Provision for bad debts – Business rates	2013/14 £'000
1,096	Balance at 1 April	962
130	Increase/(decrease) in provision	302
(264)	Written off in year	(168)
<b>962</b>	<b>Balance at 31 March</b>	<b>1,096</b>

The collection fund now includes a provision for appeals against rateable values set by the Valuation Office Agency not settled as at 31 March 2014. Losses in rates income were borne by the central pool in previous years,

2012/13 £'000	Provision for valuation appeals – Business rates	2013/14 £'000
-	Balance at 1 April	-
-	Increase/(decrease) in provision	1,128
-	Charged to provision in year	-
<b>-</b>	<b>Balance at 31 March</b>	<b>1,128</b>

#### 5. Collection fund surpluses and deficits

The (surplus)/deficit on the collection fund at 31 March 2014 will be repaid to or recovered from Central Government, Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to their respective precepts, demands or shares.

2012/13 Council Tax £'000	2012/13 NNDR £'000	Authority	2013/14 Council Tax £'000	2013/14 NNDR £'000
-	-	Central Government	-	1,558
(459)	-	Worcestershire County Council	(295)	281
(93)	-	Redditch Borough Council	(59)	1,247
(79)	-	West Mercia Police Authority	(51)	-
(32)	-	Hereford & Worcester Fire & Rescue Authority	(21)	31
<b>(663)</b>	<b>-</b>		<b>(426)</b>	<b>3,117</b>

The proportion attributable to Redditch Borough Council appears on the Balance Sheet as the Collection Fund Adjustment Account balance.

# **Statement of Responsibility 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 Council that officer is the Chief Financial Officer (Director of Finance and Corporate Resources).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## ***The Chief Financial Officer's responsibilities***

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;

The chief financial officer has also;

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

## ***Certification of Accounts***

I certify that the Statement of Accounts 2013/14 gives a true and fair view of the financial position of Redditch Borough Council at 31 March 2014 and its income and expenditure for the year then ended.

..... 25 September 2014  
**Jayne Pickering C.P.F.A.**  
**Director of Finance and Corporate Resources**

## ***Approval of Accounts***

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by the Audit Committee.

..... 25 September 2014  
**Cllr. Roger Bennett**  
**Chair of Audit & Governance Committee**

# **Independent Auditor's Report to the Members of Redditch Borough Council**





## Glossary of terms

### **Accounting Period**

The period of time covered by the accounts. This is the twelve months starting on 1 April 2012. The end of the accounting period is the Balance Sheet date.

### **Accounting policies**

The policies and concepts used in the preparation of the accounts.

### **Accruals**

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Actuary**

An independent company which advises on the assets and liabilities of the pension fund with the aim of ensuring that payment of pensions and future benefits are met.

### **Assets under construction**

Capital expenditure on assets where the work is incomplete.

### **Audit of accounts**

An examination by an independent accountant of the Council's financial affairs to check the relevant legal obligations and codes of practice have been followed.

### **Balance sheet**

A summary of the Council's assets, liabilities and other reserves at the end of the Accounting Period.

### **Budget**

A statement defining the Council's policies over a period of time in monetary terms.

### **Capital charge**

A charge to services to reflect the cost of fixed assets used in the provision of services.

### **Capital expenditure**

Expenditure on the acquisition or construction of assets which have a value to the Council for more than a year e.g. vehicles, land and buildings.

### **Capital financing**

The sources of money used to pay for capital expenditure. The sources include capital receipts, capital grants, contributions from revenue and reserves.

### **Capital receipts**

Income from the sale of capital assets such as land and buildings.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy – the professional body that defines the way the Council's accounts are prepared.

### **Code of practice on local authority accounting**

The code of practice used in the preparation of the accounting statements.

### **Collection Fund**

A separate fund for recording the expenditure and income relating to council tax and non domestic rates.

**Creditors**

The amounts owed by the Council for goods and services provided for which payment has not been made by the end of the accounting period.

**Current Asset**

Something owned by the Council that has a monetary value that will be used by the end of the financial year.

**Debtors**

Amounts due to the Council but unpaid by the end of the accounting period.

**Depreciation**

The fall in value of an asset due to wear and tear, age and obsolescence.

**Earmarked reserve**

Money set aside for specific reason.

**Exceptional Items**

Material items deriving from events or events or transactions that fall within the ordinary activities of the Council but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

**Fair value**

The amount for which an asset could be exchanged or a liability settled in an arm's length transaction.

**Financial instrument**

A contract giving rise to a financial asset or liability, for example a loan or an investment.

**Fixed assets**

A tangible asset which is intended to be used for several years such as a vehicle or a building.

**General Fund**

The main revenue account of the Council which includes the net cost of all services financed by local taxpayers and Government grants.

**Housing Benefits**

The national system for giving financial assistance to individuals towards certain housing costs.

**Housing Revenue Account (HRA)**

A separate account which sets out the expenditure and income arising from the provision of council housing.

**Impairment**

A reduction in the value of a fixed asset below its value in the balance sheet.

**Liability**

A liability is an amount owed by the Council to others.

**Minimum revenue provision (MRP)**

The amount set aside out of the revenue budget to repay loans.

**Non Domestic Rates**

The contribution collected from businesses towards the cost of local government services.



**Operating lease**

A lease where the ownership of the asset leased remains with the leasing company.

**Precept**

A charge made by the County Council, the Police and the Fire and Rescue Services for the cost of providing their services. The Council collects this from council taxpayers on their behalf.

**Provisions**

Money set aside to meet any liabilities or losses which are likely to occur, but the amounts and date on which they will arise is uncertain.

**Public Works Loan Board (PWLB)**

A government agency which provides long-term loans to local authorities at favourable interest rates.

**Reserves**

Money set aside to meet the cost of specific future expenditure.

**Revenue Contributions to Capital**

Capital expenditure met from the annual revenue budget.

**Revenue expenditure**

The day to day expenditure associated with the provision of services.

**Revenue balances**

This is the general reserve of the Council.

**Revenue expenditure funded from capital under statute**

Capital expenditure for which no tangible fixed asset exists, for example a capital grant made to another organisation or person.

**Revenue Support Grant (RSG)**

A general grant paid by the Government in support of annual revenue expenditure.

**Service Reporting Code of Practice**

Standard definitions of services and total cost which enables spending comparisons to be made with other local authorities.

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Trust funds**

Funds administered by the Council on behalf of charities.