

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

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Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

1. A word from Council Leader Bill Hartnett

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

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

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

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

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

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

Bill Hartnett, Leader of the Council

1. Scope and responsibility

Redditch Borough Council is responsible for ensuring that:

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

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

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

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

2. The purpose of the governance framework

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

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

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

Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Executive Directors, Heads of Service and other managers of the Council, who have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and, by the external auditors and other review agencies and inspectorates.

3. The governance framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Review of effectiveness

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

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

Internal Audit

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

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit and Governance Committee receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

Managers

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

External auditors and other review agencies/inspectors

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

Other external reviews during the year included:

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

5. Significant governance and internal control issues

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

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

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

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

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

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

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

Kevin Dicks
Chief Executive
XX September 2015

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

Explanatory Foreword

1. The Accounting Statements

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

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Accounts

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

Housing Revenue Account (HRA) Income & Expenditure Account

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

Collection Fund

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

2. Review of the Financial Year

General Fund

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

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

Financial Commentary:

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

The delivered savings have included:

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

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

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

Comprehensive Income and Expenditure Statement

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

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

Capital Projects

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

Housing Revenue Account (HRA)

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

Borrowing

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

Investments

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

Corporate Governance

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

Shared Services

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

Economic Outlook

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

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

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

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

Accounts and Audit Regulations

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

Borrowing and Funds Available

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

Events after the Reporting Date

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

Further Information

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

For a large print version of this document telephone 01527 881288

Redditch Borough Council

Movement in Reserves Statement For the current and comparative year

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

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

Redditch Borough Council

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

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

Notes

		2014/15			2013/14		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Central services to the public		1,496	(725)	771	1,567	(630)	937
Cultural and related services		7,469	(3,744)	3,725	6,933	(3,795)	3,138
Environment and regulatory services		5,526	(2,230)	3,296	4,941	(1,730)	3,211
Planning Services		4,150	(2,921)	1,229	2,975	(1,663)	1,312
Highways and transport services		855	(247)	608	873	(299)	574
Local authority housing - (HRA)		14,940	(25,139)	(10,199)	17,126	(25,050)	(7,924)
Other housing services		26,858	(26,198)	660	26,561	(26,220)	341
Corporate and democratic core		2,540	(57)	2,483	2,133	(63)	2,070
Non distributed costs			(718)	(718)	533		533
Cost of Services		63,834	(61,979)	1,855	63,642	(59,450)	4,192
Other Operating Expenditure	9	434		434	260		260
Financing and Investment Income and Expenditure	10	4,144	(38)	4,106	4,566	1,490	6,056
Taxation and Non-Specific Grant Income and Expenditure	11	13,035	(23,794)	(10,759)	11,726	(21,836)	(10,110)
(Surplus) or Deficit on Provision of Services				(4,364)			398
Surplus or deficit on revaluation of Property, Plant and Equipment	12,13			(1,787)			(1,717)
Remeasurement of the net defined benefit liability/(asset)	24			15,000			(12,289)
Other Comprehensive Income and Expenditure				13,213			(14,006)
Total Comprehensive Income and Expenditure				8,849			(13,608)

Redditch Borough Council

Balance Sheet as at 31 March 2015

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

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

Redditch Borough Council

Cash Flow Statement at 31 March 2015

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

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

Redditch Borough Council

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

1A Accounting Policies

General Principles

1. Accounting policies

1.1 General principles

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

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

1.2 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will follow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Purchases

Unusable Reserves

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

1.4 Charges to revenue for non-current assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

- Amortisation of intangible fixed assets attributable to the service.

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

1.5 Employee benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Worcestershire County Council.

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

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

- The liabilities of the Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.32% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors)

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

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

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

Service cost comprising:

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

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

- Net interest on the net defined benefit liability i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Total Rent Arrears

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

Discretionary benefits

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

1.6 Events after the reporting period

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

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

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

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

1.7 Exceptional items

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

1.8 Financial instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial Assets are classified into two types:

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

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

Loans and receivables

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

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

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

Available for sale assets

The Council has no available for sale financial assets.

1.9 Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with conditions attached and the grants or contributions will be received.

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

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

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

1.10 Heritage assets

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

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

1.11 Intangible assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

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

1.12 Inventories and long term contracts

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

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

1.13 Investment property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Jointly controlled assets/operations

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

1.15 Leases

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

The Council as lessee

Finance Leases

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

Lease payments are apportioned between:

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

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The Council as lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund/balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement,

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

Operating leases

Where the Council grants an operating lease over property, plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement.

1.16 Overheads and support services

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

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

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

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

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

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

1.18 Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating for its intended use

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

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful life. Depreciation is calculated on the following bases:-

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £1 million for determining whether an asset needs to be componentised and a component value of more than 20% of the total asset value to determine if part of an asset is considered as a component.

Revaluation

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

Disposals and Non-Current Assets held for sale

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

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

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

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statements.

Residual values

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

De minimus capital expenditure

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

1.19 Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

1.20 Reserves

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

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

1.21 Revenue expenditure funded from capital under statute

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

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

1.22 Shared services

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

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

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

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

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

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

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

1.23 VAT

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

1.24 Local taxation

Accounting for Council Tax

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

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

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

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

Redditch Borough Council

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

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

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

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

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

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

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

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

Note 3 Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

Other Local Authorities have been subject to equal pay claims.

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

Redditch Borough Council

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

Note 4

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

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

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

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

Redditch Borough Council

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

Note 5 Material Items of Income and Expense

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

Note 6 Events after the Reporting Period

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

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

Redditch Borough Council

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

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

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

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

Redditch Borough Council

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

Note 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15

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

Redditch Borough Council

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

Note 9 Other Operating Expenditure

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

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

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

Other Operating Income/Expenditure

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

Precepts

	2014/15	2013/14
	£000	£000
Purchases		
Parish	8	8
Total	8	8

Redditch Borough Council

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

Note 10 Financing and Investment Income and Expenditure

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

Interest Payable and Similar Charges

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

Interest and Investment Income

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

Unusable Reserves

Pensions interest cost and expected return on pensions assets

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

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

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

Income, Expenditure and changes in Fair Value of Investment Properties

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

Redditch Borough Council

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

Note 11

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

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

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

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

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

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

Redditch Borough Council

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

Note 12 Property, Plant and Equipment

Current Year

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

Depreciation

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

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

Redditch Borough Council

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

Note 12 a Comparative Year

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

Redditch Borough Council

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

Note 13 Heritage Assets

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

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

Redditch Borough Council

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

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

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

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

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

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

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

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

Redditch Borough Council

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

Note 15 Intangible Assets

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

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

The Movement in Intangible Assets for the Year is as Follows

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

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

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

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

Redditch Borough Council

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

Note 16 Financial Instruments

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

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

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

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

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

Redditch Borough Council

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

Note 17 Inventories

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

Note 18 Debtors

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

Note 19 Cash and Cash Equivalents

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

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

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

Redditch Borough Council

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

Note 20 Assets Held for Sale

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

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

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

Redditch Borough Council

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

Note 21 Creditors

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

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

Redditch Borough Council

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

Note 22 Provisions

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

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

Current Provisions	(-959)	(-984)	(-28)	(-1,915)
Long Term Provisions	0	0	0	0
	(-959)	(-984)	(-28)	(-1,915)

Comparative Year

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

Current Provisions	(-491)	(-634)	166	(-959)
Long Term Provisions	0	0	0	0
	(-491)	(-634)	166	(-959)

NNDR Appeals

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

Redditch Borough Council

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

Note 23 Reserves

Analysis of Movement on Reserves - Current Year

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

Analysis of Movement on Reserves - Comparative Year

		USABLE RESERVES							TOTAL USABLE RESERVES	UNUSABLE RESERVES							TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
		Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve	HRA Balance	HRA Earmarked Reserves	Earmarked Reserves	General Fund		Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Pension Strain Reserve	Deferred Capital Receipts Account	Collection Fund Adjustment Account	Accumulated Absences Account		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2013		2,488	654	1,510	817	9,491	3,419	1,000	19,379	104,793	7,476	(62,669)	(502)	647	93	(166)	49,672	69,051
Movements during the year:																		
Applied Capital Grants	11							(409)	(409)	409							409	0
Unapplied Capital Grants transferred to CAA in year			(34)						(34)	34							34	0
Direct Revenue Financing	7				0			(58)	(58)	58							58	0
Depreciation & impairment adjustment	7			0	7,051			1,432	8,483	(8,483)							(8,483)	0
Net Revenue expenditure funded from capital under statute	7				0			422	422	(422)							(422)	0
Surplus/(Deficit) on the Provision of Services					3,022			(3,420)	(398)								0	(398)
Total Rent Arrears																		
Transfers to or from HRA earmarked reserves	7	(759)						759	0								0	0
					(3,500)	3,500											0	0
Transfers to or from earmarked reserves					0		256	(256)	0								0	0
Net movements on Pension Reserve	47				278			1,329	1,607			(1,607)	84				(1,523)	84
Disposal of Non Current Assets/Capital Sales	7	2,266			(658)			86	1,694	(1,715)	0			21			(1,694)	0
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI	7				0			(866)	(866)	866							866	0
Capital Receipts used to finance capital expenditure			(672)						(672)	672							672	0
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for Adjustments in relation to Short-term compensated absences	7							1,280	1,280						(1,280)		(1,280)	0
Revaluation	12				1			1	2		1,718	12,246				(2)	(2)	13,964
									0								13,964	13,964
Movement in Investment Property Values	7				0			(107)	(107)	107							107	0
Other Movements		29						0	29	368	(368)			(29)			(29)	0
Reversal of Major Repairs Allowance credited to the HRA					5,978	(5,978)			0									
Use of MRA to finance capital expenditure	40				(7,476)				(7,476)	7,476							7,476	0
Other Adjustments	7				(2)			(27)	(29)								0	(29)
Total movements on reserves during the year (Change in Net Worth)		864	(34)	(1,498)	214	3,500	256	166	3,468	(630)	1,350	10,639	84	(8)	(1,280)	(2)	10,153	13,621
Balance as at 31 March 2014		3,352	620	12	1,031	12,991	3,675	1,166	22,847	104,163	8,826	(52,030)	(418)	639	(1,187)	(168)	59,825	82,672

Redditch Borough Council

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

Note 23 Usable Reserves

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

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

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

Capital Grants Unapplied

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

Redditch Borough Council

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

Note 24 Unusable Reserves

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

Capital Adjustment Account

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

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

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

Financial Instruments Adjustment Account

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

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

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

Total Rent Arrears

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

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

Available for Sale Financial Instruments Reserve

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

The balance is reduced when investments with accumulated gains are:

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

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

Pensions Reserve

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

	31/03/2015	31/03/2014
	£000	£000
Balance at 1 April	(52,030)	(62,669)
Remeasurements of the net defined benefit liability/(asset)	(15,000)	12,246
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,576)	(5,427)
Employers pensions contributions and direct payments to pensioners payable in the year	3,840	3,820
Balance at 31 March	(67,766)	(52,030)
	31/03/2015	31/03/2014
	£000	£000
Pension Reserve Strain as at 31st March	(418)	(418)

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

	31/03/2015	31/03/2014
	£000	£000
Balance at 1 April	(1,187)	93
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(395)	(1,280)
Balance at 31 March	(1,582)	(1,187)

Accumulated Absences Account

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

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

Redditch Borough Council

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

Note 25 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

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

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

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(3,261)	(2,266)
Any other items		0
	(3,261)	(2,266)

Note 26 Cash Flow From Investing Activities

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

Note 27 Cash flows from Financing Activities

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

Redditch Borough Council

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

Note 28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is 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 2014/15 figures. In 2013/14 the allocation of support costs was made across the Directorates receiving support.

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

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

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

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

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

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

2014/15	Directorate Analysis	HRA	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(11,331)	(25,139)	(342)			(36,812)	-	(36,812)
Interest and investment income	-		-		616	616	(798)	(182)
Income from council tax	-		-			0	(5,308)	(5,308)
Government grants and contributions	(25,374)		(409)			(25,783)	(5,451)	(31,234)
Support Services Recharge								
Total Income	(36,705)	(25,139)	(751)	0	616	(61,979)	(11,557)	(73,536)
Employee expenses	12,717	4,108	(174)		(4,447)	12,204	43	12,247
Other service expenses	38,826	4,598	623	1,824	(410)	45,461	2,785	48,246
Support Service recharges	(6,050)	1,744	678		2,973	(655)		(655)
Depreciation, amortisation and impairment	1,310	5,999	97			7,406	(1,495)	5,911
Interest Payments	-		-			0	3,614	3,614
Precepts & Levies	-		-		-	0	8	8
Payments to Housing Capital Receipts Pool	-		-		-	0	696	696
Gain or Loss on Disposal of Fixed Assets	-	(1,509)	-	927		(582)	(313)	(895)
Total expenditure	46,803	14,940	1,224	2,751	(1,884)	63,834	5,338	69,172
Surplus or deficit on the provision of services	10,098	(10,199)	473	2,751	(1,268)	1,855	(6,219)	(4,364)

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

Redditch Borough Council

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

Note 29 Members' Allowances

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

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

Note 30 Officers Remuneration

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

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

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

Unusable Reserves

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

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

Senior Employees' Remuneration

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

Redditch Borough Council

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

Bromsgrove District Council

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

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

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	3	0	8	34	11	34	£62,280	£185,193
£20,001 - £40,000	1	0	2	1	3	1	£83,408	£22,773
£40,001 - £60,000	0	0	1	0	1	0	£52,375	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £200,000	1	0	0	0	1	0	£189,507	£0
Total cost included in bandings							£387,570	£207,966

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

Bromsgrove District Council

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	1	0	9	20	10	20	£91,153	£250,627
£20,001 - £40,000	0	0	2	0	2	0	£67,088	£0
£40,001 - £60,000	0	0	1	0	1	0	£43,776	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	1	0	1	0	£90,389	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
Total cost included in bandings							£292,406	£250,627

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

Note 31 External Audit Costs

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

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

Redditch Borough Council

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

Note 32 Grant Income

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

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

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

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

Long-term Liabilities

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

Redditch Borough Council

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

Note 33 Related Parties

Related Parties

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

Central Government

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

Members

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

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

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

Officers

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

Entities Controlled or Significantly Influenced by the Authority

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

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

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

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

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

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

Redditch Borough Council

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

Note 34 Capital Expenditure and Capital Financing

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

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

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

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

Redditch Borough Council

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

Note 35 Leases

Operating and Finance Leases

Council as Lessor:

Finance Leases (Council as lessor)

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

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

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

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

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

Operating Leases (Council as lessor)

The Council has no operating leases.

Council as Lessee:

Finance Leases (Council as lessee)

The Council currently has no finance leases.

Operating Leases (Council as lessee)

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

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

The Council also leases photocopiers and other office equipment.

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

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

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

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

Redditch Borough Council

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

Note 36 Impairment Losses

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

Redditch Borough Council

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

Note 37 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

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

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

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

Transactions relating to Post-Employment Benefits

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

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

Comprehensive Income and Expenditure Statement

Cost of services:

Service cost comprising:

Current service cost
Past service cost

Financing and Investment Income and Expenditure:

Net Interest expense

Purchases

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

Remeasurement of the net defined benefit liability comprising:

Return on plan assets (excluding the amount included in the net interest expense)

Actuarial gains and losses arising on changes in demographic assumptions

Actuarial gains and losses arising on changes in financial assumptions

Other

Total post employment benefits charged to the Comprehensive Income and Expenditure Statement

Local Government Pension Scheme		Discretionary Benefits	
2014/15	2013/14	2014/15	2013/14
£000	£000	£000	£000

2,153	2,550	0	0
168	324	0	0

2,085	2,408	170	145
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4,406	5,282	170	145
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(6,070)	3,124	0	0
0	862	0	16
20,665	(11,539)	361	(116)
44	(5,151)	0	558
19,045	(7,422)	531	603

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code

Actual amount charged against the general fund balance for pensions in the year:

Employers' contributions payable to scheme

Retirement benefits payable to pensioners

	(4,406)	(5,282)	(170)	(145)
	3,557	3,541		
			283	279

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Net Pension Liability and Pension Strain

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

Long Term Liability recorded in the Balance Sheet

68,184	52,448
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Reconciliation of movements in the fair value of scheme assets

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

Reconciliation of present value of the scheme liabilities:
Opening balance at 1 April

Current service cost

Interest cost

Contributions from scheme participants

Total Rent Arrears

Actuarial (gains)/losses from changes in demographic assumptions

Actuarial (gains)/losses from changes in financial assumptions

Other (if applicable)

Past service cost

Losses/(gains) on curtailments where relevant

Liabilities assumed on entity combinations

Benefits/transfers paid

Liabilities extinguished on settlements (where relevant)

Balance as at 31 March

Local Government Pension Scheme		Discretionary Benefits	
2014/15	2013/14	2014/15	2013/14
£000	£000	£000	£000
123,400	134,589	3,920	3,596
2,153	2,550		
5,456	5,579	170	145
699	694		
	862		16
20,665	(11,539)	361	(116)
	(5,194)		558
0	49		
168	275		
(5,084)	(4,465)	(283)	(279)
0	0		
147,457	123,400	4,168	3,920

Local government pension scheme assets comprised:

Cash and cash equivalents

Equities:

by industry type

UK Quoted

Overseas Quoted

PIV UK Managed funds

PIV UK Managed funds - (overseas equities)

PIV Overseas Managed Funds

Information technology

sub-total equity

Bonds:

by sector

UK Corporate

Overseas Corporate

sub-total bonds

Total assets

Fair value of scheme assets	
31/03/2014	31/03/2015
£000	£000
1,807	1,342
19,500	18,616
27,105	32,117
8,809	8,554
12,874	17,107
452	671
0	0
68,740	77,065
527	587
4,216	4,864
4,743	5,451
75,290	83,858

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Public Sector Advisory Services, an independent firm of actuaries, estimates for the Worcestershire County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

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

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

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

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

Asset and Liability Matching Strategy

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

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016 with any changes in contribution rates effective from 1st April 2017.

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

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

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

Redditch Borough Council

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

Note 38 Contingent Liabilities

Contingencies

NNDR Appeals

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

Personal Search Fees

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

Equal pay claims

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

Redditch Borough Council

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

Note 39 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid out in the Annual Investment Strategy. Fitch Ratings is an international credit rating agency (one of three nationally recognised rating agencies alongside Moody's and Standard & Poor's). Fitch Ratings long-term credit ratings are set up along a scale from 'AAA' to 'D' where 'AAA' designates the best quality companies, reliable and stable through to 'D' where the company has defaulted on obligations and Fitch believes that it will generally default on all or most of its obligations. Fitch's short term ratings indicate the potential level of default within a 12 month period. F1+ is the best quality grade, indicating

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

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

* Investments with the DMADF are guaranteed by HM Treasury.

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

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is summarised as follows:

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

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

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

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

Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2014/15, the Council had no variable rate investments or borrowings.

Price Risk

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

Redditch Borough Council

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

Note 40 Trust Funds

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

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

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

Redditch Borough Council

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

Housing Revenue Account for the year ended 31st March

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

Redditch Borough Council

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

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

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

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

Transfers to/from Reserves

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

Redditch Borough Council

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

HRA Non Current Assets

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

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

Redditch Borough Council

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

Notes to the Housing Revenue Account

Housing Stock

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

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

Major Repairs Reserve (England)

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

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

Housing Revenue Account Capital Expenditure

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

Rent Arrears

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

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

Depreciation and Impairment of Non-Current Assets

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

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

Transactions relating to retirement benefits

	£000	£000
Land	-	-
Council Houses	2,070	2,247
Other Property	-	-
Total	2,070	2,247

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

Restated Accounts - Contributions towards supported housing costs

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

Redditch Borough Council

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

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

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

Redditch Borough Council

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

Note 1 - Council Tax Income

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

FOR THE YEAR ENDED 31 MARCH 2015

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

FOR THE YEAR ENDED 31 MARCH 2014

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

Note 2 - Non-Domestic Rates

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

Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

Approval by the Council

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

Signed on behalf of Redditch Borough Council

Councillor Bill Hartnett
XX September 2015

The Executive Director (Finance & Resources) Responsibilities

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

In preparing the Statement of Accounts, the Executive Director (Finance & Resources) has:

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

The Executive Director (Finance & Resources) has also:

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

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

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



J Pickering CPFA
Executive Director (Finance & Resources)

Date: 6th July 2015

Redditch Borough Council

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

Glossary

AAA FITCH RATING

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

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

ASSET

ASSET

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

Total Rent Arrears

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

☐ A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

☐ A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

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

☐ Readily convertible to known amounts of cash at or close to the carrying amount; or

☐ Traded in an active market

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLBB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital.

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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