

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

Note	Description	Page Number
	Narrative Report	3-7
	Annual Governance Statement	8-12
	Independent Auditor's Report	13
 <i>The Core Financial Statements</i>		
	Movement in Reserves Statement	14
	Comprehensive Income and Expenditure Statement	15
	Balance Sheet	16
	Cash Flow Statement	17
 <i>Notes to the Core Financial Statements</i>		
	1 Accounting Policies	18-25
	2 Accounting Standards not yet adopted	26
	3 Critical Judgements	27
	4 Assumptions made about the future and other major sources of estimation uncertainty	28
	5 Material items of income and expense	29
	6 Events after reporting period	29
	7 Adjustment between accounting and funding bases	30-31
	8 Transfers to/from Earmarked Reserves	32
	9 Other Operating Expenditure	33
	10 Financing and Investment Income and Expenditure	33
	11 Taxation and Non-Specific Grant Income and Expenditure	33
	12 Property, Plant and Equipment	34-36
	13 Income, Expenditure and changes in Fair Value of Investment Properties	37
	14 Intangible Assets	38
	15 Financial Instruments	39-40
	16 Inventories	41
	17 Debtors	41
	18 Cash and Cash Equivalents	41
	19 Assets Held for Sale	42
	20 Creditors	42
	21 Provisions	42
	22 Usable Reserves	43
	23 Unusable Reserves	44-46
	24 Cash Flow From Operating Activities	47
	25 Cash Flow From Investing Activities	48
	26 Cash Flow From Financing Activities	48
	27 Amounts Reported for Resource Allocation Decisions	49-50
	28 Members' Allowances	51
	29 Officers Remuneration	51-52
	30 External Audit Costs	52
	31 Grant Income	52
	32 Related Parties	53-54
	33 Capital Expenditure and Capital Financing	55
	34 Leases	56
	35 Defined Benefit Pension Schemes	57-59

36 Contingent Liabilities	60
37 Nature and Extent of Risks Arising from Financial Instruments	61-62
38 Joint Operations - Place Partnership Limited	63
Housing Revenue Account	64-71
Collection Fund	72-73
Glossary	74-81

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

Narrative Report

Introduction

Redditch Borough Council's financial performance for the year ended 31 March 2016 is as set out in the Comprehensive Income & Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting the United Kingdom 2015/16 (The Code). It is the purpose of this report to explain, in an easily understandable way the financial facts and performance in relation to Redditch Borough Council.

This Statement of Accounts explains Redditch Borough Council's finances during the financial year 2015/16 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information Redditch Borough Council reports externally.

Group Accounts

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

The Movement in Reserves Statement

This Statement, as set out on page 13, shows the movement in the year on the different reserves held by Redditch Borough 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 Redditch Borough Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by Redditch Borough Council.

Comprehensive Income and Expenditure Summary (CIES)

This statement, as set out on page 13, 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.

The Balance Sheet

The Balance Sheet, as set out on page 14, shows the value as at the Balance Sheet date of Redditch Borough Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

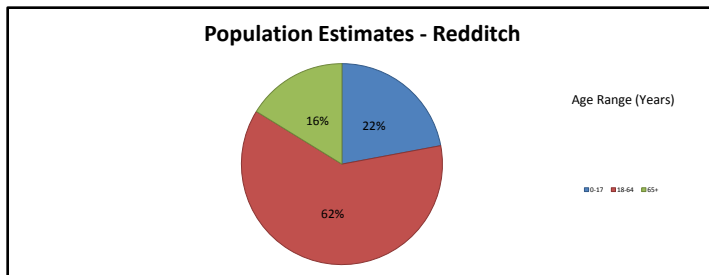
The Cash Flow Statement shows the changes in cash and cash equivalents of Redditch Borough Council during the reporting period. The statement shows how Redditch generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash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

About Redditch Borough Council

The Borough of Redditch has a population of around 84,500, around 19,000 of these are under 18 and 14,000 over 65 years of age. 76% of residence between the age of 16-64 are in employment. Around 61% of residents are between the ages of 16-64, this is slightly below the national average.

Source: *Nomis labour market statistics 2014*

The graph below shows the age profile of residents.



The Borough of Redditch is situated in the West Midlands region approximately 15 miles south of Birmingham, within the administrative boundary of Worcestershire County Council. Redditch Borough Council has a high level of open space in comparison to surrounding districts; this is one of the features that makes Redditch distinctive.

There are a number of overseas companies established in the Borough and the Kingfisher Shopping Centre boasts many big name stores. The Town has a diverse population and there are a number of deprived areas, issues include health inequalities, education and employment.

The Redditch Partnership has been undertaking targeted work on health issues including obesity, alcohol misus, fall in older people and sports development. Mental Health has been a focus for the Council, with public commitment to the 'time to talk' initiative, providing support to our employees around wellbeing. Redditch is working towards being a Dementia Friendly Community, with officers and community members being supported to become 'Dementia Friendly'.

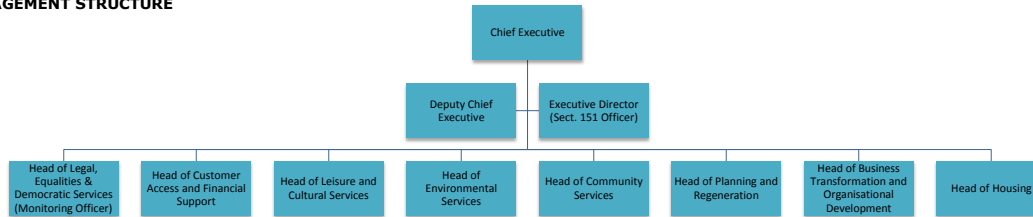
Residents of the borough are represented by 29 Councillors, with the political make up as follows:

Political Party	Number of Councillors
Conservative Party	13 Councillors
UK Independence Party	1 Councillor
Labour Party	15 Councillors

There was an election in May 2016 and the political balance has remained unchanged.

The Council employs a workforce of approximately 622 staff to manage and deliver services to residents under the direction of the senior management team. The Council has a shared management team with Bromsgrove District Council, sharing many of its services and staff based in offices in Redditch. Redditch Borough Council is the only Council in Worcestershire to still manage its housing stock and at the 31 March 2016, had 5,866 properties.

SHARED MANAGEMENT STRUCTURE



The Council has developed a number of Strategic Purposes based on the needs of the residents and community

Redditch Borough Council is committed to delivering effective, responsive services and listening to the real issues facing residents.

The Council has recently embarked on a new way of working with families across the Borough to support a cross agency initiative called "Connecting Families". The Council is providing staff to support this programme and aims to ensure that families are supported by one officer to bring together specialists to deal with their issues rather than a continual hand off between agencies that is both costly and difficult for families and individuals to navigate and feel supported in an proactive way.

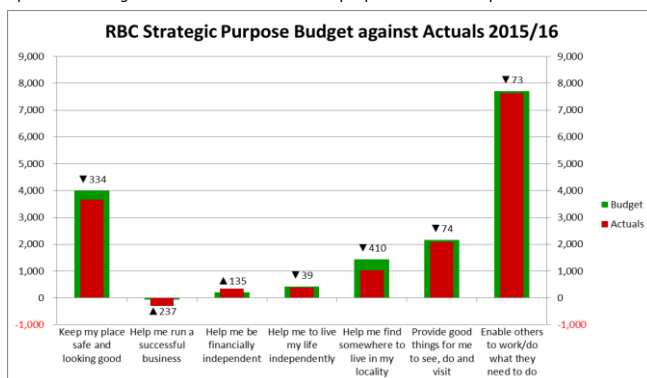


Redditch Borough Council continues to drive forward on its innovative programme of transformation using the systems thinking methodology. Systems are mapped out to identify any areas of waste and duplication of work within the process. The aim is to reduce the waste and to ensure that processes provide an easy and improved service to the customer whilst realising savings. The programme is enabling the Council to radically change the way it delivers services to the customer as well as making savings. One of the ways of doing this is by working across a particular area or "place" to deliver services. In 2015/16, Environmental Services (including cleansing and grounds maintenance) restructured with the aim to provide the locality with a service that was focused on servicing that particular area.

Financial Performance

Revenue Expenditure

The below graph compares the budgets for each of the Council's purposes to actual spend.



Strategic Purpose	Budget	Actuals	Variance
Keep my place safe and looking good	3,993	3,659	-334
Help me run a successful business	-58	-295	-237
Help me be financially independent	203	339	135
Help me to live my life independently	421	382	-39
Help me find somewhere to live in my locality	1,448	1,038	-410
Provide good things for me to see, do and visit	2,161	2,087	-74
Enable others to work/do what they need to do	7,707	7,634	-73
Totals	15,874	14,843	-1,031

The above table shows the revenue position by Strategic purposes for the financial year. The Council made savings against its budgeted expenditure but this does not reflect recharges. Within the recharge budget was a saving of £625k and in addition to this, a proportion of savings have been allocated to the Housing Revenue Account and Revenue charge to Capital. The saving after this adjustment is £40k.

The savings are a result of additional income together with general savings. The main variances are:

Additional income generated across a number of services including Planning fees

Savings realised from Service reviews during the year

Refund of Business Rates relating to Threadneedle House

Additional income from Council Tax

Staff Vacancies within Housing Policy service

FUNDING

The Council is funded by a number of external income streams including Council Tax, Business Rates and Government Grants.

Taxation and Non-Specific Grant Income and Expenditure

Income	2015/16 £000	2014/15 £000
Council Tax Income	5,436	5,308
Non Domestic Rates Income and Expenditure	2,066	1,625
Non-ringfenced government grants	3,013	3,058
Capital Grants and Contributions	859	768
Total Taxation and Non-Specific Grant Income and Expenditure	11,374	10,759

Housing Revenue Account

The Housing Revenue Account is separate from the General fund and is for the income and expenditure of Council Dwellings.

HOUSING REVENUE ACCOUNT (HRA)

REVENUE OUTTURN 2015/16

	BUDGET 2015/16 £'000	ACTUAL 2015/16 £'000	VARIANCE 2015/16 £'000
INCOME	25,476	25,426	50
EXPENDITURE	22,682	21,972	-710
NET OPERATING EXPENDITURE	-2,794	-3,454	-760
INTEREST	-78	-58	20
CAPITAL OUTLAY	369	437	68
TRANSFER TO RESERVES	2,631	2,631	0
SURPLUS ON SERVICES	128	-444	-572

Capital Expenditure

Capital Expenditure relates to expenditure on large scale projects or equipment. This would include the new leisure centre and replacement of fleet vehicles.

Strategic Purpose	Budgets £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	4,723	2,349	-2,375
Help me run a successful business	12	11	-1
Help me be financially independent	0	0	0
Help me to live my life independently	887	528	-359
Help me find somewhere to live in my locality	9,013	7,791	-1,222
Provide Good things for me to see, do and visit	133	95	-37
Enable others to work/do what they need to do (to meet their purpose)	159	187	27
Totals	14,927	10,961	-3,967

At the end of the financial year, the Council had an underspend of just under £4 million in Capital Expenditure. This was mainly due to slippage in the vehicle replacement programme.

Treasury Management

At 31 March 2016, Redditch Borough Council had no investments and £5 million short-term borrowing. In addition to this, there is £104m long term borrowing which relates to the Housing Revenue Account. £99m of this is made up of loans taken out with the PWLB in 2012 when the Government made Housing Revenue Accounts self-financing.

Usable Reserves

At the 31 March 2016, Redditch had a total of £27m usable reserves to support future expenditure. Of this, £1.4m is earmarked for future specific projects/General Fund expenditure. The Council has a policy to maintain a General Fund balances figure of £750k. In addition to this, it holds £1.4m in Housing Revenue Balances and £19m in Housing earmarked reserves. For more information, please refer to the Movement in Reserves Statement.

As at 31 March 2016:	£'000
General Fund Balance	2,024
Earmarked General Fund Reserves	1,423
HRA Balance	1,475
Earmarked HRA Reserves	18,970
Capital Receipts Reserve	1,758
Major Repairs Reserve	121
Capital Grants Unapplied	1,248
Total	27,019

Pensions

The Council's share of the assets and liabilities of its Pension Fund is a net liability and has been calculated in accordance with the International Accounting Standards 19; a definition of which can be found in the Glossary. The net liability has decreased by £2.642m to £65.125m.

Provisions

Due to the localisation of Business Rates which became effective from 1st April 2013, the Council has set aside a provision of £520k for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals backdated to 1st April 2015. The Council also hold a provision for compensation claims totalling £995k, this is to cover the cost of any unsettled or future insurance claims, to minimise the cost of insurance premiums the Council self insures upto the value of £27k.

Accounting Policies

There has been one main change to the Council's accounting policies this year relating to the measurement of our assets, which are now valued using IFRS13.

Non-Financial Performance

The Council has developed a corporate dashboard to include a suite of Strategic and Operational Measures to enable review on a daily basis of the areas that support the strategic purposes and to highlight any areas of concern. The dashboard is an online system available to officers and members and reflects a range of information to enable decisions and proposals to be made to improve service delivery.

By using the measures available, officers have reviewed service and customer need and have reduced reliance on the Council by giving greater initial support to customers. This can be evidenced through the work the Council has supported in relation to the Essential Living Fund. This fund is used to support residents in need of urgent financial support. By working more closely with the individuals, there has been a reduction in the number of applications made as customers have been advised in ways to maximise their income.

Further measures relate to the number of fly-tipping incidents, number of empty properties in the borough and number of residents on Housing Benefit and Council Tax support. By managing the measures, the Council can address issues at the root cause of the problem with the aim to reduce costs in the future.

The Council Plan is currently under development and this will link the measures through to Strategic Purposes to ensure that the Council has a clear strategy as to the actions required to deliver the purposes to the community.

Economic Outlook

Since 2010, Redditch Borough Council has faced some significant financial challenges due to the reduction in funding from Central Government. In November 2015, the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over a number of years. These included the following which will impact district authorities:

- *By the end of the Parliament, local government will retain 100% of business rate revenues to fund local services. This is unlikely to be implemented before 2020 and the full impact is currently unknown*
- *Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects*

The Council has achieved a large number of savings over recent years by introducing shared services with Bromsgrove District Council (including the Chief Executive and Management Team) as well as redefining some of its services via Transformation.

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

Annual Governance Statement

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

The Authority's Responsibilities

Redditch Borough Council is required to:

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

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

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

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

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

The Executive Director of Finance and Resources has also:

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

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31 March 2016 and its income and expenditure for the year ended on that date.

SIGNED

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan is currently being updated to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by Council.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions.
- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee . Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Audit, Governance and Standards Committee approve the Corporate Risk Register and monitor the actions on a six monthly basis. A member risk champion is in place to review operational risks with managers. The service risks are also reviewed through departmental meetings.
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council.
- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2015/16.
- The Constitution clearly defines the roles of Monitoring officer, S151 and Head of Paid Service.
- A whistleblowing policy is in place.
- Regular press releases are submitted and Redditch Matters is an online magazine that is available to all residents to inform them of the Councils activities and services provided.

Review of Effectiveness

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

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

Throughout 2015/16, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit Committee and Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

- **Audit, Governance and Standards Committee**

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

There has been 1 member complaint reported to the Audit Committee. This was closed as there was no issue to resolve.

- **Internal Audit**

Redditch Borough Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2013.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's purposes and contributes to the proper, economic, efficient and effective use of resources.

During 2015/16, the Internal Audit team delivered a comprehensive programme including:

- Core financial audits which are designed to suitably assist the external auditors to reach their "opinion".
- A range of service area audits, follow up audits and special investigations which assisted the council to maintain/improve its control systems and risk management processes or implement/reinforce oversight of such systems.

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

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

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit Committee for further scrutiny. In relation to the reports for 2015/16 the following assurances have been given where further action is being undertaken by managers following recommendations from Internal Audit :

Leisure Cash Receipting and Banking - Moderate
Corporate Governance Statement - Moderate
Housing Right to Buy - Moderate
System Administration - Moderate
Website Security - Moderate
Debtors - Moderate
Consultancy and Agency - Limited

The Heads of Service have actions in place to address the recommendations and these have been reported to the Audit Committee. The Internal Audit team will continue to review the actions as they are implemented.

Significant Governance Issues

The S11 notice from the External Auditors in relation to the 2014/15 accounts and budget monitoring continue to be addressed by officers. Updates are taken to the Audit, Governance and Standards Committee to ensure that the Council is addressing all of the issues raised.

The issues raised and the management responses are detailed below:

The Council should put in place robust arrangements for the production of 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this, the Council should:

- ensure sufficient resources and specialist skills are available to support the accounts production
- introduce appropriate project management skills to the production of the financial statements

Management response

External support (via procurement tender) will be appointed.

A detailed Final Accounts closedown and production timetable will be compiled, monitored by weekly s151 officer meetings. Slippage to be escalated, explained and immediate actions implemented to rectify.

An assessment of the level of external support required will be carried out and communicated to provider.

Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.

Training needs to be identified.

Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external provider.

The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:

- the financial statements are compiled directly from the ledger
- the entries in the accounts are supported by good quality working papers which are available at the start of the audit
- the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources)
- provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information;
- the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.

Management response

Full set of template working papers to be compiled.

Meeting with external auditors to be arranged, with the aim being to agree working paper templates.

CIPFA Toolkit prior year figures to be populated as soon as available. Early training to be arranged with CIPFA consultant to ensure any errors are eliminated.

Reconciliation schedule to be completed with clear deadlines for each reconciliation, signed off and reviewed by the Exec Director of Finance on a monthly basis.

A review of the ledger system will be carried out to ensure that information required is available to download direct to the Statement of Accounts where practical

The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.

Management response

Pressures/Savings/Bids forms on staff Orb intranet currently being updated by Heads of Service and budget holders. A detailed summary to determine gap will be prepared for Members.

Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).

The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.

Management response

*New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.
Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.
Compilation of Monitoring reports for Members.
Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends*

Signed **Date.....**

Signed **Date**

Leading member & Chief Executive on behalf of Redditch Borough Council



Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2016 on pages 12 to 15 has been prepared in the
- (b) in my opinion, the Statement of Accounts gives a true and fair view of the income and expenditure and cash

.....
Chief Financial Officer

.....
Date

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Authority/Committee on _____.

.....
Chairman

.....
Date

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

Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2016

1. Audit Opinion

1.1 The internal audit of Redditch Borough Council's systems and operations during 2015/16 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 19th March 2015 and any subsequent revision.

1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council, for 5 district councils. The shared service operates in accordance with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013.

1.3 The Internal Audit Plan for 2015/16 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
- a number of operational systems, for example environmental, s106's Planning Obligations and Private Sector Housing - Step-up Private Tenancy Scheme were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

1.4 The 2015/16 internal audit plan was delivered in full, providing sufficient coverage for the s151 and Internal Audit Service Manager to form an overall opinion.

1.5 In relation to the twenty one reviews that have been undertaken, eleven audits have been finalised and ten are nearing completion at clearance meeting or draft report stage. Risk management was re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. An area which returned an assurance level of 'limited' was Consultancy and Agency. All areas where assurance was 'limited' or below will be addressed by management and have a clearly defined action plan in place in order to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.

1.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. For all services, no areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. Worcester Regulatory Services are introducing a new charging protocol for partners which will be determined by utilising a time recording module in their current system. This brings with it a certain risk but ongoing trials are seeing a vast improvement in captured data and appear to be moving forward in a positive way.

1.7 One key area of risk during the year was the late delivery of the finalised accounts for the previous year and the implications this had with a Section 11 being imposed by External Audit. However, the accounts were signed off and there has been a determination by the Finance team to ensure that this is not repeated. Regular reports have been taken before the Internal Audit Committee appraising it of progress made in regard to the 2015/16 final account process and progress that has been made in regard to the Section 11 notice.

1.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of continuing significant transformation and change. Where a 'limited' assurance has been reported this has been in connection with the work undertaken in regard to the procurement of Consultants and Agency workers and an action plan will be implemented.

1.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved and revised plan, the Worcestershire Internal Audit Shared Service Manager has concluded that the internal control arrangements during 2015/16 managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate purposes have been met.

Andy Bromage

Worcestershire Internal Audit Shared Services Manager

01/06/2016

Redditch Borough Council

Core Financial Statements

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

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2014	1,166	3,675	1,031	12,991	3,352	12	620	22,847	59,812	82,659
Movement in reserves during the year										
Surplus or (deficit) on the provision of services	(1,491)	0	5,204	0	0	0	0	3,713	0	3,713
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(13,213)	(13,213)
Total Comprehensive Income and Expenditure	(1,491)	0	5,204	0	0	0	0	3,713	(13,213)	(9,500)
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,250	0	(2,156)	0	(1,729)	1	188	(2,446)	2,447	1
Net Increase/Decrease before Transfers to Earmarked Reserves	(241)	0	3,048	0	(1,729)	1	188	1,267	(10,766)	(9,499)
Transfers to or from earmarked reserves	1,059	(1,059)	(3,048)	3,048				0		0
(Increase)/Decrease in Year	818	(1,059)	0	3,048	(1,729)	1	188	1,267	(10,766)	(9,499)
Balance as at 31 March 2015	1,984	2,616	1,031	16,039	1,623	13	808	24,114	49,046	73,160
Movement in reserves during the year										
Surplus or (deficit) on the provision of services	(1,260)	0	4,531	0	0	0	0	3,271	0	3,271
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	5,980	5,980
Total Comprehensive Income and Expenditure	(1,260)	0	4,531	0	0	0	0	3,271	5,980	9,251
Adjustments between accounting basis & funding basis under regulations	107	0	(1,156)	0	135	108	440	(366)	366	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,153)	0	3,375	0	135	108	440	2,905	6,346	9,251
Transfers to or from earmarked reserves	1,193	(1,193)	(2,931)	2,931	0	0	0	0	0	0
Increase/(Decrease) in Year	40	(1,193)	444	2,931	135	108	440	2,905	6,346	9,251
Balance Sheet as at 31 March 2016	2,024	1,423	1,475	18,970	1,758	121	1,248	27,019	55,392	82,411

Redditch Borough Council

Core Financial Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

This 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.

Notes

		2015/16			Restated 2014/15		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Central services to the public		1,605	(912)	693	1,967	(1,196)	771
Cultural and related services		8,084	(4,163)	3,921	7,761	(4,036)	3,725
Environment and regulatory services		5,367	(2,799)	2,568	5,693	(2,397)	3,296
Planning Services		5,090	(3,919)	1,171	4,286	(3,057)	1,229
Highways and transport services		829	(241)	588	869	(261)	608
Local authority housing - (HRA)		15,851	(25,426)	(9,575)	14,940	(25,139)	(10,199)
Other housing services		26,659	(25,429)	1,230	27,505	(26,845)	660
Corporate and democratic core		2,718	(817)	1,901	3,222	(739)	2,483
Non distributed costs		1	0	1	(718)	0	(718)
Cost of Services		66,204	(63,706)	2,498	65,525	(63,670)	1,855
Other Operating Expenditure	9	3,509	(3,336)	173	3,699	(3,265)	434
Financing and Investment Income and Expenditure	10	5,750	(318)	5,432	6,399	(1,643)	4,756
Taxation and Non-Specific Grant Income and Expenditure	11	11,750	(23,124)	(11,374)	13,035	(23,794)	(10,759)
(Surplus) or Deficit on Provision of Services				(3,271)			(3,714)
Surplus or deficit on revaluation of Property, Plant and Equipment	12 & 23			(2,102)			(1,787)
Remeasurement of the net defined benefit liability/(asset)	35			(3,878)			15,000
Other Comprehensive Income and Expenditure				(5,980)			13,213
Total Comprehensive Income and Expenditure				(9,251)			9,499

2014/15 has been restated to reflect the change in valuation of Investment Property. More details can be found in Note 13.

Redditch Borough Council

Core Financial Statements

Balance Sheet as at 31 March 2016

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, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category 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 2016	Restated 31st March 2015	1st April 2014
		£000	£000	£000
Property, Plant & Equipment	12	258,242	249,023	242,789
Heritage Assets		54	46	48
Investment Property	13	0	6,143	6,600
Intangible Assets	14	273	258	217
Long Term Debtors	17	731	1,192	1,196
Long Term Assets		259,300	256,662	250,850
Inventories	16	282	305	278
Short Term Debtors	17	7,435	6,636	6,242
Cash and Cash Equivalents	18	0	0	396
Assets held for sale	19	101	567	2,004
Current Assets		7,818	7,508	8,920
Cash and Cash Equivalents	18	(480)	(156)	0
Short Term Borrowing	15	(5,000)	(9,005)	(13,003)
Short Term Creditors	20	(8,284)	(7,672)	(6,596)
Provisions	21	(1,515)	(1,915)	(959)
Current Liabilities		(15,279)	(18,748)	(20,558)
Long Term Borrowing	15	(104,053)	(104,061)	(104,087)
Other Long Term Liabilities	35	(65,375)	(68,184)	(52,448)
Capital Grants received in advance	31	0	(17)	(17)
Long Term Liabilities		(169,428)	(172,262)	(156,552)
Net Assets		82,411	73,160	82,660
Usable reserves	22	27,019	24,114	22,868
Unusable Reserves	23	55,392	49,046	59,812
Total Reserves		82,411	73,160	82,680

The balances for Investment Property and Unusable Reserves as at 31st March 2015 have been restated as per Note 13.

Redditch Borough Council

Core Financial Statements

Cash Flow Statement at 31 March 2016

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	2015/16 £000	2014/15 £000
Net surplus or (deficit) on the provision of services		3,271	3,714
Adjustment to surplus or deficit on the provision of services for non-cash movements		9,210	9,377
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(5,691)	(3,261)
Net cash flows from Operating Activities	24	6,790	9,830
Investing Activities	25	(5,376)	7,098
Financing Activities	26	(3,209)	3,934
Net increase or decrease in cash and cash equivalents		(1,795)	(552)
Cash and cash equivalents at the beginning of the reporting period		(156)	396
Cash and cash equivalents at the end of the reporting period		(1,951)	(156)

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, 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 if an automated accrual can be made or at the request of the relevant budget holder.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the surplus /deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

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.

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.

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 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 borrowings, 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.

1.8 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.

1.9 Heritage assets

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important. These should now be included on the balance sheet although a number of these can not be included due to the fact of their diverse nature, cost or valuation information is not available.

1.10 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 3-10 years.

1.11 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.

1.12 Investment property

An Investment policy is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rental or for capital appreciation does not meet the definition.

The Council has no Investment properties at 31 March 2016.

1.13 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.

A Joint Operation exists when parties that have joint control of the arrangement and have rights to the assets, and obligation for the liabilities relating to that arrangement. The Council is part of Place Partnership; a Teckel company set up to manage Property Services across 6 partners. Redditch Borough Council has a shareholding of 2/12th, thus sharing joint control. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

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.

1.15 Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. A materiality level of £250K has been set by the Authority and notes below this amount have been removed where they are not considered to add value to the statements.

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 2015/16 (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 lives. An exception is made for assets without a determinable finite life (freehold land and community assets), and assets under construction.

Depreciation is calculated on the following bases:-

- Dwellings – the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.
- Buildings- straight line allocation over the useful life of the property as estimated by the valuer and is between 15-100 years.
- Vehicles, plant and equipment – 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.

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 Hereford and Worcester Fire and Rescue Service, 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 Hereford and Worcester 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 Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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

The following issued accounting standards have not yet been adopted:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions). The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If employee contributions are not linked to length of service, contributions can be deducted from the cost of benefits earned in the period. This is unlikely to have a material impact on the Statement of Accounts.

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations). The amendments apply prospectively and impact the accounting for newly acquired interests in joint operations or newly formed joint operations. Joint operators will be required to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;
- perform impairment tests for the cash
- generating units to which goodwill has been allocated;
- disclose information required relevant for business combinations.

Amendment to IAS 16 Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation). Revenue based methods of depreciation are no longer appropriate and therefore cannot be used. The amendment is applied prospectively so no prior period adjustments will be necessary. There is no impact for the Council as depreciation is calculated using time-based methods. This is not expected to impact on the Statement of Accounts.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative). The changes are presentational, including improvements to materiality, disaggregation and sub-totals, notes structure and accounting policies.

Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS) and the introduction of the Expenditure and Funding Statement. The CIES will be placed before the MiRS and will reflect the way in which the Council reports financial performance and will no longer be based on SeRCOP. The MiRS will be simplified with a single line for Total Comprehensive Income and Expenditure and no separate line for Earmarked reserves necessary. The Segmental Reporting note will be removed and an Expenditure and Funding Analysis included to reconcile the net expenditure charged to taxation to the CIES service lines.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds General Fund Earmarked Reserves of £1.423m and General Fund Balances of £2.024m.

The Council is required to account for Business rates by disclosing its share of Business rates balances within its balance sheet. The Council has made a provision against the potential cost of business rates appeals based on indicative information from the Valuation Office combined with other factors including the outcome of previous appeals and local knowledge.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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

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

The items in the Authority's Balance Sheet at 31 March 2016 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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE would increase by £416k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2.378m. Further sensitivity analysis can be seen in the defined benefit pension scheme note.
Bad Debt Provisions	As at 31 March 2016, the Council had sundry debtor balances of £2.424m. Provisions for bad debts are made according to the age of the debt and past experience and a provision of £0.348m is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £92k would have to be set aside.
Fair Value Measurements	When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities or the Discounted Cash Flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses the Discounted Cash Flow model incorporating premature repayment rates and new borrowing rates from the PWLB to measure the fair value of some of its financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions and professional valuer assumptions. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets.
Provision for Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme, the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office	Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £100k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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

The Council disposed of the investment property, Threadneedle House, on 22nd July 2015. This resulted in a capital receipt of £1.452m. More information can be found in Note 13.

Note 6 **Events after the Reporting Period**

At its meeting on 25th June 2015, the Worcestershire Regulatory Services (WRS) Joint Committee agreed to recommend partner councils dissolve the then current Worcestershire Shared Services Partnership on 31st March 2016 and constitute a new partnership comprising of the six district councils on 1st April 2016 along with a service level agreement between the new partnership and Worcestershire County Council for the provision of trading standards and animal health services.

On 23 June 2016, the United Kingdom voted to leave the European Union. The result has caused some uncertainty in the financial and currency markets. It is too early to tell at this stage the longer term impact the exit may have. At this point our review has not indicated any areas of the financial accounts which will need to change.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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.

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

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Comparative Year

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the						
Pension cost (transferred to (or from) the Pensions Reserve)	445	291	0	0	0	(736)
Council tax and NDR (transfers to or from the Collection Fund)	395	0	0	0	0	(395)
Holiday pay (transferred to the Accumulated Absences reserve)	(1)	0	0	0	0	1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,198	5,948	0	0	0	(8,146)
Total Adjustments to Revenue Resources	3,037	6,239	0	0	0	(9,276)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,198)	(2,063)	3,261	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	53	(53)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	696	0	(696)	0	0	0
Posting of HRA resource from revenue to the Major Repairs Reserve	0	(5,999)	0	5,999	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(47)	0	0	0	0	47
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(964)	0	0	0	0	964
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(54)	(387)	0	0	0	441
Total Adjustments to Revenue Resources	(1,567)	(8,396)	2,512	5,999	0	1,452
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,267)	0	0	4,267
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(5,998)	0	5,998
Application of capital grants to finance capital expenditure	(220)	0	0	0	188	32
Cash payments in relation to deferred capital receipts	0	0	26	0	0	(26)
Total Adjustments to Capital Resources	(220)	0	(4,241)	(5,998)	188	10,271

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

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 2015/16.

	Balance as at 1 April 2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance as at 31 March 2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance as at 31 March 2016 £000
General Fund:							
Energy	0	0	0	0	17	0	17
Lifeline	0	0	0	0	14	0	14
Warmer Homes	0	0	0	0	12	0	12
DWP FERIS	0	0	0	0	11	0	11
Environmental Health	1	0	0	1	0	(1)	0
Car Loan guarantee scheme	7	0	0	7	0	0	7
Arts	8	0	0	8	2	0	10
2 Pennies	8	0	0	8	0	0	8
Shared Services/Transformation	0	10	0	10	0	0	10
IT Licences	29	0	(14)	15	0	0	15
Mercury emissions	455	26	(466)	15	0	(1)	14
Risk	47	19	(47)	19	0	(19)	0
Land Drainage	20	0	0	20	25	0	45
Hemming Road Enterprise Centre	20	0	0	20	0	(20)	0
Economic Development	24	0	0	24	0	(24)	0
Public Donations	38	0	(9)	29	0	(3)	26
Regulatory Services Balance	33	0	(2)	31	0	0	31
Town Centre	56	0	(5)	51	0	0	51
Housing Benefit implementation	64	10	0	74	45	0	119
Electoral Services	24	50	0	74	26	0	100
Land Charges	100	0	0	100	61	(62)	99
Sport Development	176	43	(116)	103	49	(102)	50
Community Development	167	26	(83)	110	0	(82)	28
Planning Services	81	36	0	117	0	(78)	39
Community Safety	227	269	(267)	229	304	(242)	291
Housing Support	167	139	0	306	117	0	423
Business Rates grants	455	35	0	490	0	(483)	7
Job Evaluation	755	0	0	755	0	(755)	0
Administrative Support	9	0	(9)	0	0	0	0
Allotments	1	0	(1)	0	0	0	0
Action Sport	177	0	(177)	0	0	0	0
Grants to Voluntary Bodies	17	0	(17)	0	0	0	0
Threadneedle House	500	0	(500)	0	0	0	0
Travellers Assessment	9	0	(9)	0	0	0	0
PPL Retained Earnings	0	0	0	0	(4)	0	(4)
Total General Fund	3,675	663	(1,722)	2,616	679	(1,872)	1,423
HRA							
Housing Capital	12,950	3,048	0	15,998	2,631	0	18,629
Job Evaluation	0	0	0	0	300	0	300
Supporting People	41	0	0	41	0	0	41
Total HRA	12,991	3,048	0	16,039	2,931	0	18,970
Total Earmarked Reserves	16,666	3,711	(1,722)	18,655	3,610	(1,872)	20,393

The £18.6m reserve for HRA Housing Capital is held to fund future capital schemes and the repayment of Housing Settlement debt.

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 9 Other Operating Expenditure

	2015/16	2014/15
	£000	£000
Parish council precepts	8	8
Payments to the Government Housing Capital Receipts Pool	886	696
(Gains)/losses on the disposal of non current assets	(762)	(313)
Other	41	43
Total Other Operating Expenditure	173	434

(Gains)/losses on the disposal of non current assets		
	2015/16	2014/15
	£000	£000
Net Proceeds from Sale General	(416)	(1,198)
Net Proceeds from Sale HRA	(2,920)	(2,063)
Disposal costs HRA	65	53
Carrying amount of non-current assets sold(exc. Investment Properties)	2,509	2,895
	(762)	(313)

Note 10 Financing and Investment Income and Expenditure

	2015/16	2014/15
	£000	£000
Interest payable and similar charges	3,563	3,614
Net interest on the net defined benefit liability (asset)	2,179	2,255
Interest receivable and similar income	(22)	(182)
Income and expenditure in relation to investment properties and changes in their fair value	(294)	(941)
Other investment income	6	10
Total Financing & Investment Income & Expenditure	5,432	4,756

Income, Expenditure and changes in Fair Value of Investment Properties		
	2015/16	2014/15
	£000	£000
Income including rental income	0	(506)
Expenditure	(109)	410
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	(1,472)	0
Disposal Costs	14	0
Carrying amount of investment properties sold	1,470	0
Changes in Fair Value of Investment Properties	(197)	(845)
	(294)	(941)

Other Investment Income		
	2015/16	2014/15
	£000	£000
Income from trading	(111)	(110)
Expenditure	117	120
	6	10

Note 11 Taxation and Non-Specific Grant Income and Expenditure

	2015/16	2014/15
	£000	£000
Income		
Council Tax Income	(5,436)	(5,308)
Non Domestic Rates Income and Expenditure	(2,066)	(1,625)
Non-ringfenced government grants	(3,013)	(3,058)
Capital Grants and Contributions	(859)	(768)
Total Taxation and Non-Specific Grant Income and Expenditure	(11,374)	(10,759)

NNDR income/expenditure		
	2015/16	2014/15
	£000	£000
Income:		
Current year	(13,774)	(14,660)
Safety Net received from Pool	(42)	0
Expenditure:		
Current year	11,394	13,035
Levy Accrual	356	0
Net income	(2,066)	(1,625)

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 12 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings £000	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation									
Balance as at 1 April 2015	211,529	4,500	26,850	10,165	2,630	1,349	484	0	257,507
Additions (Note 33)	7,791	0	382	1,897	169	23	43	67	10,372
Revaluation increases/decreases to Revaluation Reserve		46	9	0		0	0	1,716	1,771
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,700)	66	340	0	0	0	0	(67)	(5,361)
Derecognition - Disposals	(2,043)		0	0	0	0	0	0	(2,043)
Reclassifications & Transfers	(29)	1,322	4,029	5	0	0	(5)	29	5,351
Balance as at 31 March 2016	211,548	5,934	31,610	12,067	2,799	1,372	522	1,745	267,597
Depreciation and Impairment									
Balance as at 1 April 2015	0	0	(415)	(7,625)	(444)	0	0	0	(8,484)
Depreciation Charge	(5,967)	0	(530)	(577)	(94)	0	0	0	(7,168)
Depreciation written out on Revaluation Reserve	0	0	331	0		0	0	0	331
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5,834	0	132	0	0	0	0	0	5,966
Balance as at 31 March 2016	(133)	0	(482)	(8,202)	(538)	0	0	0	(9,355)
Net Book Value									
Balance as at 31 March 2016	211,415	5,934	31,128	3,865	2,261	1,372	522	1,745	258,242
Balance as at 31 March 2015	211,529	4,500	26,435	2,540	2,186	1,349	484	0	249,023

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.

Valuation of Property, Plant & Equipment

The basis for valuation of the individual classes of asset owned by the Council is explained in the Statement of Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out by the Council's valuation provider, Place Partnership Ltd.. Valuation of Land and Buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The external valuers have also undertaken an asset review and has reported that the value of all assets does not differ materially from that which would be determined using the fair value as 31st March 2016.

Redditch Borough Council

Notes to the Core Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

Comparative Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings £000	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation									
Balance as at 1 April 2014	208,042	3,830	24,245	10,196	2,497	1,204	467	277	250,758
Additions (Note 33)	9,741	0	483	116	133	108	32	0	10,613
Revaluation increases/decreases to Revaluation Reserve	0	22	1,228	0	0	0	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)
Derecognition - Disposals	(1,458)	0	0	(173)	0	0	0	0	(1,631)
Reclassifications & Transfers	0	669	890	26	0	37	(15)	(277)	1,330
Balance as at 31 March 2015	211,529	4,500	26,850	10,165	2,630	1,349	484	0	257,507
Depreciation and Impairment									
Balance as at 1 April 2014	0	0	(482)	(7,133)	(353)	0	0	0	(7,968)
Depreciation Charge	(5,987)	0	(482)	(665)	(91)	0	0	0	(7,225)
Depreciation written out on Revaluation Reserve	0	0	537	0	0	0	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
Derecognition - Disposals	0	0	0	173	0	0	0	0	173
Balance as at 31 March 2015	0	0	(415)	(7,625)	(444)	0	0	0	(8,484)
Net Book Value									
Balance as at 31 March 2015	211,529	4,500	26,435	2,540	2,186	1,349	484	0	249,023
Balance as at 31 March 2014	208,042	3,830	23,763	3,063	2,144	1,204	467	277	242,790

Fair Value Hierarchy for Surplus Assets

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

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

Transfers between levels of the fair value hierarchy

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

Valuation Techniques used to Determine Level 2 Fair Value for Surplus Assets

Significant observable inputs – Level 2

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,745k. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 13 Income, Expenditure and changes in Fair Value of Investment Properties

Income/Expenditure from Investment Properties:		
	2015/16	Restated 2014/15
	£000	£000
Rental income from investment property	(14)	(500)
Direct operating expenses arising from investment property	0	408
Net Gain/Loss	(14)	(92)

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:

	2015/16	2014/15
	£000	£000
Balance at start of the year	6,143	6,600
Additions:		
- Purchases	48	0
- Subsequent expenditure	0	28
Disposals	(1,470)	0
Net gains/losses from fair value adjustments	197	845
Transfers:		
- to/from Property, Plant and Equipment	(5,351)	(1,330)
Other changes	433	0
Balance at end of the year	0	6,143

At 1st April 2015, Threadneedle House was included as an investment property in the Asset Register and Balance Sheet valued at £1,450,000, having been revalued upwards by £1m during the year. However, it would appear that this erroneously included the finance lease element. A subsequent revaluation at that date has resulted in a £650,000 reduction in value. To reflect this, the 2014/15 Statement of Accounts have been restated.

On 22nd July 2015, Threadneedle House was sold for £1,452,022.86. This investment property generated £46k per year in finance lease income, now transferred to the purchaser. As such, part year income amounted to £14k.

At 31st March 2016, a review was undertaken to determine whether assets were Investment Property by their nature, i.e. held solely for rental income and/or capital appreciation. When reviewed against the Council's Strategic purposes, it was found that other reasons existed for holding such assets. As a result, 14 assets amounting (with a Net Book Value of £4.9m) were transferred to operational Property, Plant & Equipment.

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 14 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 £97k 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:

	2015/16			2014/15		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
· Gross carrying amounts	0	1,679	1,679	0	1,549	1,549
· Accumulated amortisation	0	(1,421)	(1,421)	0	(1,332)	(1,332)
Net carrying amount at start of year	0	258	258	0	217	217
Additions:						
· Purchases		112	112		130	130
	0	370	370	0	347	347
Amortisation for the period	0	(97)	(97)	0	(89)	(89)
Net carrying amount at end of year	0	273	273	0	258	258
Comprising:						
· Gross carrying amounts	0	1,791	1,791	0	1,679	1,679
· Accumulated	0	(1,518)	(1,518)	0	(1,421)	(1,421)
	0	273	273	0	258	258

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 15 Financial Instruments

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

	Long-term		Current	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	£000	£000	£000	£000
Debtors				
Loans and receivables	731	1,192	0	0
Financial assets carried at contract amounts	0	0	5,762	5,011
Total Debtors	731	1,192	5,762	5,011
Borrowings				
Financial liabilities at amortised cost	(104,053)	(104,061)	(5,000)	(9,005)
Financial liabilities reflected as cash and cash equivalents			(480)	(156)
Total borrowings	(104,053)	(104,061)	(5,480)	(9,161)
Creditors				
Financial liabilities carried at contract amount	0	0	(7,167)	(6,866)
Total creditors	0	0	(7,167)	(6,866)

Short-term borrowing has decreased in year from £9m to £5m, mainly due to increased useable reserves, creditors and provisions.

Fair Values of Financial Assets and Financial Liabilities

All financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

Financial Liabilities	Balance as at 31 March 2016		Balance as at 31st March 2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities held at amortised cost:				
PWLB loans	98,956	107,054	98,965	105,543
Long term loan	5,097	6,642	5,096	5,936
Total	104,053	113,696	104,061	111,479

For PWLB loans, the fair value is calculated using the present value of cash flows over the remaining terms and by the 31st March 2016 swap rates for new loans based on the remaining term to maturity. This is provided by our treasury management advisors. The fair value of temporary borrowing is taken as amortised cost.

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

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

Recurring Fair Value Measurements using:	31st March 2016			
	Quoted prices in active markets for identical assets / liabilities (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£000	£000	£000	£000
Financial liabilities held at amortised cost:				
PWLB loans	0	107,054	0	107,054
Long term loan	0	6,642	0	6,642
Total	0	113,696	0	113,696

PWLB loans have been valued using discount contractual (or expected) cash flows at the market rate for loans of the same remaining term whereas the Long Term loan is valued by adding the value of the lender's option from a market option pricing model. The choice of an appropriate discount rate is the key assumption, and this has the greatest impact on the estimated fair values provided.

Financial Assets	Financial Liabilities
- No early repayment or impairment is recognised	- No early repayment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.	- The interest rate at 31 March 2016 for short-term borrowing was 0.5% and long term borrowing rates ranged from 3.01% and 4.71%.

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 16 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	34	34	271	244	305	278
Purchases			745	833	745	833
Recognised as an expense in year	(3)		(769)	(806)	(772)	(806)
Written off balances			4		4	0
Balance outstanding at year end	31	34	251	271	282	305

Note 17 Debtors

	Long term debtors		Short term debtors	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Central Government Bodies	0	0	4,574	1,462
Other Local Authorities	0	0	2,412	1,581
Housing Rents	0	0	1,285	1,381
less bad debt provision	0	0	(2,925)	(2,510)
Other entities and individuals	731	1,192	2,089	4,722
Total	731	1,192	7,435	6,636

Note 18 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:

	2015/16	2014/15	2013/14
	£000	£000	£000
Cash and Bank balances	88	42	396
Bank Overdraft	(568)	(198)	0
Total	(480)	(156)	396

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 19 Assets Held for Sale

	Current	
	2015/16	2014/15
	£000	£000
Balance as at 1st April 2015	567	2,004
Assets sold	(466)	(1,437)
Balance as at 31st March 2016	101	567

Assets Held For Sale has reduced following three disposals during 2015/16. The net gain on disposals is shown in Note 9.

The Council has just 1 asset held for sale remaining as at 31st March 2016. This is being actively marketed and disposal is expected within 12 months of Balance Sheet date.

Note 20 Creditors

	Short term creditors	
	2015/16	2014/15
	£000	£000
Central government bodies	(2,615)	(1,410)
Other local authorities	(2,150)	(2,163)
Housing Rents prepaid	(555)	(587)
Other entities and individuals	(2,964)	(3,512)
Total	(8,284)	(7,672)

Note 21 Provisions

	Balance as at 1 April 2015	Increase in provision during year	Utilised during year	Balance as at 31 March 2016
	£000	£000	£000	£000
Compensation Payments	(480)	(40)	0	(520)
Other NNDR Appeals	(1,435)	0	440	(995)
	(1,915)	(40)	440	(1,515)
Current Provisions	(1,915)	(40)	440	(1,515)

Comparative 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)	0	28	(480)
Other NNDR Appeals	(451)	(984)	0	(1,435)
	(959)	(984)	28	(1,915)
Current Provisions	(959)	(984)	28	(1,915)

The Council has set aside a provision for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals backdated to 1st April 2015. The Council also holds a provision for potential insurance claims, this is currently £520K. The Council self-insures up to the value of £27k this provision is calculated with regard to the level of outstanding claims.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 22

Usable Reserves

Capital Receipts Reserve

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

	31/03/2016	31/03/2015
	£000	£000
Balance 1 April	1,623	3,352
Capital Receipts in year	4,808	3,261
Deferred Receipts realised	17	26
	6,448	6,639
Less:		
Capital Receipts Pooled	(886)	(696)
Disposal Costs funded from capital receipts	(79)	(53)
Capital Receipts used for financing	(3,725)	(4,267)
Balance 31 March	1,758	1,623

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 £5.834m, all of which was used to finance capital spend in the Housing Investment Programme in 2015/16.

	31/03/2016	31/03/2015
	£000	£000
Balance on 1 April	13	12
Depreciation	5,834	5,987
Transfer to/from HRA Balance	133	12
HRA Capital Expenditure	(5,859)	(5,998)
Balance on 31 March	121	13

Capital Grants Unapplied

	31/03/2016	31/03/2015
	£000	£000
Balance on 1 April	808	620
Unapplied Capital Grants received in year	513	220
Unapplied Capital Grants transferred to CAA in year on application	(73)	(32)
Balance on 31 March	1,248	808

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 23 Unusable Reserves

	31/03/2016	31/03/2015
	£000	£000
Revaluation Reserve	10,424	9,064
Capital Adjustment Account	110,433	109,255
Deferred Capital Receipts Reserve (England and Wales)	666	660
Pensions Reserve	(65,374)	(68,184)
Collection Fund Adjustment Account	(603)	(1,582)
Accumulated Absences Account	(154)	(167)
Total Unusable Reserves	55,392	49,046

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2016	31/03/2015
	£000	£000
Balance at 1 April	9,064	8,826
Upward revaluation of assets	2,102	1,787
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	2,102	1,787
Difference between fair value depreciation and historical cost depreciation	(742)	(191)
Revaluation balances on assets scrapped or disposed of	0	(1,358)
Amount written off to the Capital Adjustment Account	(742)	(1,549)
Balance at 31 March	10,424	9,064

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.

	31/03/2016		31/03/2015	
	£000	£000	£000	£000
Balance at 1 April		109,255		104,150
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	(7,170)		(7,227)	
Revaluation losses on Property, Plant and Equipment	605		1,186	
Amortisation of Intangible Assets	(97)		(89)	
Revenue expenditure funded from capital under statute	(512)		(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	(3,979)		(2,895)	
		(11,153)		(9,539)
Adjusting amounts written out of the Revaluation Reserve		742		1,549
Net written out amount of the cost of non current assets consumed in the year		(10,411)		(7,990)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	3,725		4,267	
Use of the Major Repairs Reserve to finance new capital expenditure	5,859		5,998	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	346		548	
Application of grants to capital financing from the Capital Grants Unapplied Account	73		32	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	932		964	
Capital expenditure charged against the General Fund and HRA balances	471		441	
		11,406		12,250
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		197		845
Deferred Capital Receipts Realised		(14)		0
Balance at 31 March		110,433		109,255

Pensions Reserve

	31/03/2016	31/03/2015
	£000	£000
Balance at 1 April	(67,766)	(52,030)
Remeasurements of the net defined benefit liability/(asset)	3,711	(15,000)
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	(4,941)	(4,576)
Employers pensions contributions and direct payments to pensioners payable in the year	3,873	3,840
Balance at 31 March	(65,123)	(67,766)

	31/03/2016	31/03/2015
	£000	£000
Pension Reserve Strain as at 31st March	(251)	(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.

	31/03/2016	31/03/2015
	£000	£000
Balance at 1 April	660	639
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	37	47
Transfer to the Capital Receipts Reserve upon receipt of cash	(31)	(26)
Balance at 31 March	666	660

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.

	31/03/2016	31/03/2015
	£000	£000
Balance at 1 April	(1,582)	(1,187)
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	979	(395)
Balance at 31 March	(603)	(1,582)

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 24 Cash Flow From Operating Activities

The cash flows from operating activities include the following items

	2015/16	2014/15
	£000	£000
Interest Paid	3,569	3,614
Interest Received	(22)	(7)
	3,547	3,607

	2015/16	2014/15
	£000	£000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	7,170	7,227
Impairment & downward valuations	(2,076)	(1,186)
Amortisation	97	89
Increase/(Decrease) in provisions	0	956
(Increase)/Decrease in Debtors	(2,476)	(674)
Increase/(Decrease) in Creditors	2,029	778
(Increase)/Decrease in Inventories	23	(27)
Movement in pension liability	1,068	736
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	3,979	2,895
Other items charged to the net surplus or deficit on provision of services	(604)	(1,417)

9,210	9,377
--------------	--------------

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	(4,832)	(3,261)
Any other items	(859)	0

(5,691)	(3,261)
----------------	----------------

Note 25**Cash Flow From Investing Activities**

	2015/16	2014/15
	£000	£000
Purchase of PP&E, investment property and intangible assets	(11,078)	10,771
Purchase of Short Term Investments (not considered to be cash equivalents)	53,650	20,000
Other Payments for Investing Activities	0	(55)
Proceeds from the sale of PP&E, investment property and intangible assets	4,808	(3,261)
Proceeds from Short Term Investments (not considered to be cash equivalents)	(53,650)	(20,000)
Other Receipts from Investing Activities	894	(357)
Net Cash flows from Investing Activities	(5,376)	7,098

Note 26**Cash Flow From Financing Activities**

	2015/16	2014/15
	£000	£000
Cash Receipts from Short and Long Term Borrowing	(39,200)	(44,000)
Repayment of Short and Long Term Borrowing	35,200	48,024
Other payments for Financing Activities	791	(90)
Net Cash flows from Financing Activities	(3,209)	3,934

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 27 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 that specified by the Best Value Accounting code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed into Strategic Purposes. These reports are prepared on a different basis from the accounting policies used in the financial statements, in particular, the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's Strategic Purposes recorded in the budget reports for the year is as follows this has been restated due to a change in the reporting format to Members. In 2014/15 the report to Members included all recharges to services. Members requested in 15/16 for Support charges to be excluded from the reports, thus the 2015/16 outturn report includes the amount recharged to HRA and Capital which had previously been excluded this has resulted in an increase of 4.7m in net expenditure. when restating the 2014/15 there amount of support recharged to the General fund is shown with Enabling services.

There is a overall reduction in other service expenditure in 2015/16 of £2.7 is due to a reduction in the cost of services provided this includes the implemetation of a shared services with Bromsgrove District Council for Environmental Services.

In 2014/15 the Recharges column is not nil due to the Support Services of £2.9 Million not being shown as fully recharged, this is due to the way internal recharges were treated in 2014/15 and were not fully removed when preparing this note. This is a change in the way the Council is now reporting.

2015/16	Run a Successful Business	Enabling Services	Financially Independent	Live Independently	Live in My Locality	Safe and Looking Good	To do and Visit	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	1,252	1,639	1,068	800	2,617	2,614	3,338	13,328
Internal Recharges	4	1,113	38	22	137	2,170	0	3,484
Government grants	0	177	24,459	43	0	0	9	24,688
Total Income	1,256	2,929	25,565	865	2,754	4,784	3,347	41,500
Employee expenses	39	4,591	1,519	801	2,406	2,650	2,176	14,182
Other service expenses	922	5,968	24,385	442	1,353	5,698	3,241	42,009
Support service recharges	0	3	0	37	0	95	17	152
Total Expenditure	961	10,562	25,904	1,280	3,759	8,443	5,434	56,343
Net Expenditure	(295)	7,633	339	415	1,005	3,659	2,087	14,843

2014/15	Run a Successful Business	Enabling Services & Support Services	Financially Independent	Live Independently	Live in My Locality	Safe and Looking Good	To do and Visit	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	801	2,011	1,116	908	323	2,824	3,261	11,244
Internal Recharges	6	6,499	975	54	1,207	3,232	343	12,316
Government grants	0	117	25,227	24	0	0	6	25,374
Total Income	807	8,627	27,318	986	1,530	6,056	3,610	48,934
Employee expenses	56	3,455	1,368	723	968	3,975	2,172	12,717
Other service expenses	1,063	5,402	24,923	555	569	4,185	3,375	40,072
Support service recharges	0	6,121	0	36	2	88	19	6,266
Total Expenditure	1,119	14,978	26,291	1,314	1,539	8,248	5,566	59,055
Net Expenditure	312	6,351	(1,027)	328	9	2,192	1,956	10,121

This reconciliation shows how the figures in the analysis of Strategic Purposes income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Net expenditure in the Strategic Purposes Analysis	14,843	10,098
Housing Revenue Expenditure	(11,046)	(10,199)
Net expenditure of services and support services not included in the Analysis		(1,217)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,650	1,322
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4,420)	1,851
Cost of Services in Comprehensive Income and Expenditure Statement	1,027	1,855

This reconciliation shows how the figures in the analysis of Strategic Purposes 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.

2015/16	Strategic Purpose Analysis	Housing Revenue Account	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(13,328)	(25,958)		1,241		0	(38,045)	0	(38,045)
Interest and investment income	0					0	0	(310)	(310)
Income from council tax	0					0	0	(5,436)	(5,436)
Internal Recharges	(3,484)	(484)			(3,387)	6,880	(475)	0	(475)
Income from non domestic rates	0					0	0	(2,066)	(2,066)
Government grants and contributions	(24,688)	0		(690)	192	0	(25,186)	(3,872)	(29,058)
Total Income	(41,500)	(26,442)	0	551	(3,195)	6,880	(63,706)	(11,684)	(75,390)
Employee expenses	14,182	4,740	0	(386)	(1,111)	0	17,425	0	17,425
Other service expenses	40,676	5,177	0	(526)	(39)	(3,484)	41,804	41	41,845
Support Service recharges	152	2,173	0	1,148	(77)	(3,396)	0	0	0
Depreciation, amortisation and impairment	1,333	5,640	0		2	0	6,975	0	6,975
Interest Payments	0	(863)	0	863		0	0	5,742	5,742
Precepts & Levies	0	0	0	0	0	0	0	8	8
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	886	886
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	0	0	(762)	(762)
Total expenditure	56,343	16,867	0	1,099	(1,225)	(6,880)	66,204	5,915	72,119
Surplus or deficit on the provision of services	14,843	(9,575)	0	1,650	(4,420)	0	2,498	(5,769)	(3,271)

2014/15	Directorate Analysis	Housing Revenue Account	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(11,331)	(25,139)	(2,032)		615	0	(37,887)	(616)	(38,503)
Interest and investment income	0	0	0		0	0	0	(182)	(182)
Income from council tax	0	0	0		0	0	0	(5,308)	(5,308)
Income from non domestic rates	0	0	0		0	0	0	(1,625)	(1,625)
support service recharge	(12,316)	0	0		0	12,316	0	0	0
Government grants and contributions	(25,374)	0	(409)		0	0	(25,783)	(3,826)	(29,609)
Total Income	(49,021)	(25,139)	(2,441)	0	615	12,316	(63,670)	(11,557)	(75,227)
Employee expenses	12,717	4,108	(174)		(1,076)	0	15,575	43	15,618
Other service expenses	38,826	4,598	623	395	(651)	0	43,791	0	43,791
Support Service recharges	6,266	1,744	678		0	(9,353)	(665)	0	(665)
Depreciation, amortisation and impairment	1,310	5,999	97		0	0	7,406	(845)	6,561
Interest Payments	0	0	0		0	0	0	6,399	6,399
Precepts & Levies	0	0	0		0	0	0	8	8
Payments to Housing Capital Receipts Pool	0	0	0		0	0	0	696	696
Gain or Loss on Disposal of Non-current Assets	0	(1,509)	0	927	0	0	(582)	(313)	(895)
Total expenditure	59,119	14,940	1,224	1,322	(1,727)	(9,353)	65,525	5,988	71,513
Surplus or deficit on the provision of services	10,098	(10,199)	(1,217)	1,322	(1,112)	2,963	1,855	(5,569)	(3,714)

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 28 Members' Allowances

During the year, Members allowances, totalled £150k (2014/15 £150k) and are as follows:

	2015/16	2014/15
	£000	£000
Allowances	97	97
Special Responsibilities	39	40
Expenses	14	13
	150	150

Note 29 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	Pension Contribution	Total	50% share to Bromsgrove	Revised Total
		£	£	£	£	£
Executive Director of Leisure, Environmental & Community	2015/16	102,189	12,546	114,735	57,368	57,368
	2014/15	102,000	12,036	114,036	57,018	57,018

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

		Salary, Fees and Allowances	Pension Contribution	Total	50% share from Bromsgrove	Revised Total
		£	£	£	£	£
Chief Executive	2015/16	127,500	14,408	141,908	70,954	70,954
	2014/15	127,500	13,897	141,397	70,699	70,699
Executive Director of Finance & Resources	2015/16	94,945	10,662	105,607	52,804	52,804
	2014/15	92,654	10,132	102,786	51,393	51,393
Head of Legal & Democratic Services	2015/16	78,806	8,894	87,700	43,850	43,850
	2014/15	76,628	8,454	85,082	42,541	42,541
TOTAL	2015/16	301,251	33,963	335,214	167,608	167,608
	2014/15	296,782	32,483	329,265	164,633	164,633

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

	2015/16	2014/15
£50,001 to £55,000	1	2
£55,001 to £60,000	2	2
£60,001 to £65,000	0	1
£65,001 to £70,000	1	1
£70,001 to £75,000	0	0
£75,001 to £80,000	3	2
£80,001 to £85,000	0	0
	7	8

Bromsgrove District Council

	2015/16	2014/15
£50,001 to £55,000	2	8
£55,001 to £60,000	8	2
£60,001 to £65,000	0	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	1
£75,001 to £80,000	4	3
£80,001 to £85,000	1	0
	15	16

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:

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0-£20,000	0	0	34	26	34	26	£185,193	£117,270
£20,001 - £40,000	0	0	1	1	1	1	£22,773	£47,159
Total cost included in CIES							207,966	164,429

Of the figure above, nothing has been charged to Bromsgrove District Council in 2015/16 as officers were not made redundant as part of the Authority's Shared Service Agenda.

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0-£20,000	0	0	20	15	20	15	250,627	134,550
£20,001 - £40,000	0	0	0	1	0	1	0	25,398
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	2	0	2	0	165,679
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	1	0	1	0	186,393
Total cost included in CIES							250,627	512,020

Of the figures above £9k has been charged to Redditch Borough Council where officers were made redundant as part of the Authority's Shared Service Agenda. Of the above a total of £351k has been paid by other Local Authorities as part of their share of costs relating to North Worcestershire Regulatory Services. The total charge to Bromsgrove is £92,927.31

During 2015/16, no Directors received exit packages in either authority.

Note 30 External Audit Costs

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

	2015/16	2014/15
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	76	85
Fees payable for the certification of grant claims and returns for the year	17	12
Additional charges in relation to the 2014/15 audit	29	0
Refunds & Rebates re previous years	0	-8
Total	122	89

Note 31 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

Credited to Taxation and Non-Specific Grant Income	2015/16	2014/15
	£000	£000
Revenue Support Grant	(1,578)	(2,267)
Other Government Grants	(1,435)	(791)
Capital Grants	(859)	(768)
Total	(3,872)	(3,826)

Credited to Services	2015/16	2014/15
	£000	£000
Cabinet Office - IER	26	54
DCLG - Council Tax Support Admin Subsidy	121	108
DWP - Benefit Schemes	194	41
DWP - Discretionary Housing	59	85
DWP - Housing Benefit Subsidy	23,798	24,594
DWP - Housing Benefit Subsidy Admin Grant	370	399
Environment Agency	0	7
Forestry Commission	0	8
Sport England Lottery Funding	19	31
Worcestershire County Council - Areas of Highest Need	0	40
Worcestershire County Council - Bus Grant	111	41
Worcestershire County Council - Choose How You Move	0	43
Worcestershire County Council - ELF	193	280
Worcestershire County Council - Sports	63	52
DCLG - Local Plans	5	0
Fraud - Feris Maintenance Fund	11	0
Safer and Stronger Communities	216	0
Total	25,186	25,783

Grants, contributions and donations that have yet to be recognised as income (as they have conditions attached to them) require the monies or property to be returned to the giver if the conditions are not met. One grant received in 2013/14 had conditions met in 2015/16. The balance at year-end is as follows:

Grants Received in Advance	2015/16	2014/15
	£000	£000
Warmer Worcestershire	0	(17)

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 32 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 31.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in Note 28. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

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

In 2015/16, no members declared an interest in any related party.

Officers

There were no disclosures made by officers in 2015/16.

Entities Controlled or Significantly Influenced by the Authority

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £642k for hosting Environmental Health and Licensing.

As part of the shared services with Bromsgrove District Council, Redditch Borough Council received £2,703k for services it hosted and paid £4,013k 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 £323k 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 £90k for this service.

For the provision of Car Park Services, the Council paid £34k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £71k to Worcester City Council.

In total, the Council received £2,137k from Worcestershire County Council for the Early Help services.

From 1st September 2015, the Council entered into an arrangement with Place Partnership Limited for the provision of Asset Maintenance. The cost in year was £502k.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 33 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	138,162	139,127
Capital Investment		
Property, Plant and Equipment	10,372	10,613
Investment Properties	48	28
Intangible Assets	112	130
Heritage Assets	10	0
Revenue Expenditure Funded from Capital under Statute	512	514
	11,054	11,285
Sources of finance		
Capital receipts	(3,725)	(4,267)
Government grants and other contributions	(419)	(580)
Major Repairs Allowance	(5,859)	(5,998)
Sums set aside from revenue:		
Direct revenue contributions:		
General	(34)	(54)
HRA	(437)	(387)
Minimum Revenue Provision	(932)	(964)
	(11,406)	(12,250)
Closing Capital Finance Requirement	137,810	138,162
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(350)	(965)
Increase/(decrease) in Capital Financing Requirement	(350)	(965)

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 34 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority 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. Leases ran for up to 10 months within 2015/16.

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

The Council also leases photocopiers and other office equipment.

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

	2015/16	2014/15
	£000	£000
Minimum lease rentals payable:		
No later than 1 year	44	360
Later than 1 year and no later than 5 years	38	505
Later than 5 years	0	0
	82	865

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

	2015/16	2014/15
	£000	£000
Minimum lease payments	274	865
Less: Sublease payments receivable	(107)	(143)
	167	722

Finance Leases

The Council have no finance leases.

Authority as Lessor:

Operating Leases

The Council have no operating leases.

Finance Leases

The Council leased part of Threadneedle House to the Post Office with a remaining term of 16 years. Within the accounts the lease was recorded as a long term debtor with the value determined by the future rental payments due to the Council. Threadneedle House was disposed in July 2015 and this included areas that were vacant as well as the lease to the Post Office. Upon the sale of Threadneedle House the long term debtor was reduce to zero to reflect that no future rental payments are receivable. In exchange for the sale of the lease and the vacant area within the building the Council received a capital receipt of £1.452m as reported in note 13. Part year rental income from the lease to the Post Office amounted to £14k (annual rental income was £46k).

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 35

Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. The pension figures within the financial statement include 13.65% (11.31% 2014/15) of the Worcestershire Regulatory Services to reflect the proportion of the service for which Redditch is liable. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final (i) salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit (ii) arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	2,653	2,153	0	0
Past service cost	109	168	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	2,047	2,085	132	170
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	4,809	4,406	132	170
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)	3,859	(6,070)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(7,477)	20,665	(134)	361
Administration Costs	41	44	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	1,232	19,045	(2)	531
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,809)	(4,406)	(132)	(170)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	3,594	3,557		
Retirement benefits payable to pensioners			279	283

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Present value of the defined obligation	(143,591)	(147,457)	(3,887)	(4,168)
Fair value of plan assets	82,353	83,858	0	0
Net liability arising from the defined benefit obligation	(61,238)	(63,599)	(3,887)	(4,168)

Net Liability and Pension Strain	2015/16	2014/15
	£000	£000
	Local Government Pension Scheme	61,238
Discretionary Benefits	3,887	4,168
Pension Strain Liability	250	417
	65,375	68,184

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening fair value of scheme assets	83,858	75,290	0	0
Interest income	2,780	3,371		0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	(4,323)	6,070		
Increased share in Reg Services Assets	464	0		
Contributions from employer	3,594	3,557	279	283
Contributions from employees into the scheme	659	698		
Benefits/transfers paid	(4,638)	(5,084)	(279)	(283)
Administration costs	(41)	(44)		
Closing value of scheme assets	82,353	83,858	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Opening balance at 1 April	(147,457)	(123,400)	(4,168)	(3,920)
Current service cost	(2,653)	(2,153)		
Interest cost	(4,827)	(5,456)	(132)	(170)
Contributions from scheme participants	(659)	(699)		
Remeasurement (gains) and losses:		0		
Actuarial (gains)/losses from changes in financial assumptions	8,126	(20,665)	134	(361)
Increased in share of Reg Services Pension Liabilities	(650)	0		
Losses/(gains) on curtailments where relevant	(109)	(168)		
Benefits/transfers paid	4,638	5,084	279	283
Balance as at 31 March	(143,591)	(147,457)	(3,887)	(4,168)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2016	31/03/2015
	£000	£000
Cash and cash equivalents	1,745	1,342
Equities:		
UK quoted	604	18,616
Overseas quoted	28,126	32,117
PIV - UK managed	23,062	8,554
PIV - UK managed (overseas)	16,383	17,107
PIV - Overseas managed	607	671
sub-total equity	68,782	77,065
Bonds:		
by sector		
Corporate	342	587
Government	4,706	4,864
sub-total bonds	5,048	5,451
Property:		
European Property Fund	2,577	0
UK Property Debt	963	0
Overseas Property Debt	184	0
sub-total property	3,724	0
Alternatives		
UK Infrastructure	3,054	0
sub-total alternatives	3,054	0
Total assets	82,353	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 LLP, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16	2014/15	2015/16	2014/15
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	23.5	23.4	23.5	23.4
Women	25.9	25.8	25.9	25.8
<i>Longevity at 65 for future pensioners:</i>				
Men	25.8	25.6	25.8	25.6
Women	28.2	28.1	28.2	28.1
Financial assumptions:				
Rate of consumer price inflation	2.0%	2.0%	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%
Discount Rate	3.6%	3.3%	3.6%	3.3%

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)	2,464	(2,464)
Rate of inflation (increase or decrease by 0.1%)	2,491	(2,491)
Rate of increase in salaries (increase or decrease by 0.1%)	2,411	(2,411)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,334)	2,334

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The scheme takes into 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 £3.8m expected contributions to the scheme in 2016/2017.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2015/16 (18 years 2014/2015).

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 36 Contingent Liabilities

Contingencies

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

Business Rates Appeals

Various NHS trusts and limited companies nationally have made applications for relief for business rates; this is an on-going issue and the outcome of these appeals will not be known until future years.

Equal Pay Claims

There may be 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. The recent restructure and TUPE of Environmental Services employees to Bromsgrove District Council has considerably reduced the risks involved having removed the majority of individuals from the employment of RBC that may otherwise have been used as comparators in any claim.

Redditch Borough Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 37 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 Full 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 down by Fitch Ratings Services.

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.

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

Financial Asset Category	Minimum Criteria (Fitch)	Maximum Investment
Term Deposits	Long Term: A-	£2.5 million
Deposits with Debt Management Account – Deposit Facility (DMADF)		£no upper limit *

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

At 31st March 2016, Redditch Borough Council had no investments held.

The Authority does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2016 is shown in the table below:

	31/03/2016	31/03/2015
	£000	£000
Less than three months	1471	1,224
Three to six months	93	81
Six months to one year	372	97
More than one year	488	438
	2,424	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 Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of borrowings is summarised as follows:

	31/03/2016	31/03/2015
	£000	£000
Less than one year	5,000	9,000
Between one & five years	0	0
More than five years	103,929	103,929
	108,929	112,929

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

Included within the long-term borrowing is a £5m loan due to mature in 2032 with an interest rate of 4.71%. 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 11 and 26 years.

Market Risk

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 and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2015/16, 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 Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 38 Joint Operations - Place Partnership Limited

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

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

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

Balance Sheet

	Authority Share 4.4%	Inter Company transactions
	£000	£000
PPL Accounts		
Current Assets		
Trade Debtors	75	(196)
Other Debtors	2	
Cash at bank	49	
Total Assets	126	(196)
Current Liabilities		
Trade Creditors	(130)	
Retained Earnings	(4)	
Redditch BC Accounts		
Current Liabilities		
Creditors	(9709)	196

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Housing Revenue Account for the year ended 31st March

	2015/16	2014/15
	£000	£000
Expenditure		
Repairs & Maintenance	(4,669)	(4,903)
Supervision & Management:	(5,269)	(5,195)
Rents, Rates, Taxes and other charges	(160)	(127)
Depreciation, impairments and revaluation losses of non-current assets	(5,637)	(4,490)
Debt Management Costs	(3)	(20)
Movement in the allowance for bad debts	(113)	(205)
Total Expenditure	(15,851)	(14,940)
Income		
Dwelling rents	24,260	23,871
Non-dwelling rents	494	473
Charges for services and facilities	315	262
Contributions from General Fund	357	533
Total Income	25,426	25,139
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	9,575	10,199
HRA Services Share of Corporate & Democratic Core	(886)	(587)
Net Expenditure of HRA Services	8,689	9,612
Gains/(loss) on sale of HRA Fixed Assets	812	604
Interest Payable and Similar Charges	(4,165)	(4,174)
HRA Interest and Investment Income	58	55
Net interest on the defined benefit liability (asset)	(863)	(893)
Surplus or (Deficit) for Year on HRA Services	4,531	5,204

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

	2015/16	2014/15
	£000	£000
Balance on the HRA at the end of the previous year	1,032	1,032
Surplus or (Deficit) on the HRA Income and Expenditure Statement	4,531	5,204
Adjustments between accounting basis and funding basis under statute	(1,156)	(2,156)
Net Increase or (Decrease) before transfers to or from reserves	3,375	3,048
Transfers (to)/from Reserves	(2,931)	(3,048)
Increase or (decrease) on the HRA for the year	444	0
Balance on the HRA at the end of the current year	1,476	1,032

	2015/16	2014/15
	£000	£000
Transfers to/from the Capital Adjustment Account	5,637	4,490
Loss or (Gain) on sale of HRA non current assets	(877)	(604)
HRA Share of Contributions to or from the Pension Reserve	423	291
Transfers to/(from) Major Repairs Reserve	(5,967)	(5,999)
Contribution from the Capital Receipt Reserve towards the administration costs of non current asset disposals	65	53
Capital expenditure funded by the HRA	(437)	(387)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,156)	(2,156)

Transfers to/from Reserves

	2015/16	2014/15
	£000	£000
Transfers (to)/from earmarked reserves	(2,931)	(3,048)
Total Transfers	(2,931)	(3,048)

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

HRA Non Current Assets

Property, Plant & Equipment (PP&E)					
	Council Dwellings	Land	Buildings	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
Cost or Valuation					
Balance as at 1 April 2015	211,529	0	3,628	0	215,157
Adjustments between cost/value & depreciation/impairment		0	0	0	0
Adjusted opening balance	211,529	0	3,628	0	215,157
Additions	7,791			67	7,858
Revaluation increases/decreases to Revaluation Reserve				1,471	1,471
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,700)	0	130	(67)	(5,637)
Derecognition - Disposals	(2,043)	0	0	0	(2,043)
Reclassifications & Transfers	(29)	0	0	29	0
Balance as at 31 March 2016	211,548	0	3,758	1,500	216,806
Depreciation and Impairment					
Balance as at 1 April 2015	0	0	(12)	0	(12)
Adjusted opening balance	0	0	(12)	0	(12)
Depreciation Charge	(5,834)	0	(133)	0	(5,967)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5,834	0	133	0	5,967
Balance as at 31 March 2016	0	0	(12)	0	(12)
Net Book Value					
Balance as at 31 March 2016	211,548	0	3,746	1,500	216,794
Balance as at 31 March 2015	211,529	0	3,616	0	215,145

Property, Plant & Equipment (PP&E)					
	Council Dwellings	Land	Buildings	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
Cost or Valuation					
Balance as at 1 April 2014	208,042	0	3,322	0	211,364
Additions	9,741	0	0	0	9,741
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,796)	0	306	0	(4,490)
Derecognition - Disposals	(1,458)	0	0	0	(1,458)
Reclassifications & Transfers	0	0	0	0	0
Balance as at 31 March 2015	211,529	0	3,628	0	215,157
Depreciation and Impairment					
Balance as at 1 April 2014	0	0	(12)	0	(12)
Adjusted opening balance	0	0	(12)	0	(12)
Depreciation Charge	-5987	0	-12	0	(5,999)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5987	0	12	0	5,999
Balance as at 31 March 2015	0	0	(12)	0	(12)
Net Book Value					
Balance as at 31 March 2015	211,529	0	3,616	0	215,145
Balance as at 31 March 2014	208,042	0	3,310	0	211,352

Dwelling houses within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out on a rolling programme with 25% of dwellings valued at 1 April each year.

The vacant possession value (open market value) of Council dwellings as at 31 March 2016 was £622m. This does not compare to the Balance Sheet (which shows the Essential Use Value); the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Housing Revenue Account

1. Housing Stock

The number of dwellings in the Authority's housing stock, as at 31 March 2016, totalled 5866 properties. The type of properties and the period in which they were built, were as follows:

	2015/16	2014/15
	No	No
Property Type		
1 Bed	1,561	1,559
2 Bed	556	557
3 Bed	30	30
Sub-Total	2,147	2,146
Non-permanent	41	43
Houses / Bungalows:		
1 Bed	659	660
2 Bed	898	910
3 Bed	1,951	1,980
4 or More	170	172
Sub-Total	3,678	3,722
Total Dwellings 31 March 2016	5,866	5,911

2. Major Repairs Reserve

The movement on the Major Repairs Reserve during the year ended 31 March 2016 is summarised below:

	2015/16	2014/15
	£000	£000
Balance at 1 April	13	12
Depreciation	5,834	5,987
Voluntary Transfers from the HRA	133	12
Capital expenditure on HRA Land, Houses and Other Property	(5,859)	(5,998)
Balance at 31 March	121	13

Housing Revenue Account Capital Expenditure

	2015/16	2014/15
	£000	£000
Capital investment		
Operational assets	7,858	9,741
	7,858	9,741
Sources of funding		
Capital Receipts	1,562	3,109
Major Repairs Reserve	5,859	5,999
Government grants and other contributions		246
Direct Revenue Financing	437	387
	7,858	9,741

Revenue Expenditure funded from Capital Under Statute represents items that would be expensed under the Code's general requirements but are covered by statutory definitions of Capital Expenditure.

3. Rent Arrears

During 2015/16 total rent arrears increased by £71k. A summary of rent arrears and prepayments is shown in the following table:

	2015/16	2014/15
	£000	£000
Current Tenant Arrears	727	659
Former Tenant Arrears	360	357
Total Rent Arrears	1,087	1,016
Prepayments	(411)	(447)
Net Rent Arrears	676	569

4. Depreciation and Impairment of Non-Current Assets

	2015/16		2014/15	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,834	0	5,987	0
Other Land and Buildings	133	0	12	0
	5,967	0	5,999	0

5. Transactions relating to retirement benefits

HRA Income & Expenditure Account	2015/16	2014/15
	£000	£000
Current Service Cost	1,051	853
Past Service Costs	43	66
Net interest expense	863	893
Total	1,957	1,812
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(1,534)	(1,521)
Movement on Pension Reserve	423	291

More information on Retirement Benefits can be found in Note 35.

6. Total Capital Receipts Generated during the year

	2015/16	2014/15
	£000	£000
Council Houses	2,920	2,070

Redditch Borough Council

Notes to the Core Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Collection Fund

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.

2014/15			Collection Fund	2015/16		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(38,275)	(38,275)	Council Tax Receivable		(39,624)	(39,624)
(36,146)		(36,146)	Business Rates Receivable	(36,836)		(36,836)
(36,146)	(38,275)	(74,421)	Total amounts to be credited	(36,836)	(39,624)	(76,460)
			EXPENDITURE			
			Apportionment of Previous Year (Deficit)/Surplus			
(625)		(625)	Central Government	(1,143)		(1,143)
(500)	37	(463)	Billing Authority	(915)	55	(860)
(113)	183	70	County Council	(206)	274	68
(13)	13	0	Fire Authority	(23)	19	(4)
	32	32	Police Authority		47	47
			Precepts, demands and shares			
17,723		17,723	Central Government	18,362		18,362
14,178	5,272	19,450	Billing Authority	14,689	5,405	20,094
3,190	26,117	29,307	County Council	3,305	26,829	30,134
354	1,851	2,205	Fire Authority	367	1,901	2,268
	4,494	4,494	Police Authority		4,619	4,619
			Charges to Collection Fund			
90	11	101	Write-offs of uncollectable amounts	174	124	298
144	443	587	Increase/(decrease) in allowance for impairment	661	512	1,173
2,459	0	2,459	Increase/(decrease) in allowance for appeals	(1,100)	0	(1,100)
72	0	72	Transitional Protection Payments Payable	46	0	46
111	0	111	Charge to General Fund for allowable collection costs for non-domestic rates	110	0	110
37,070	38,453	75,523	Total amounts to be debited	34,327	39,785	74,112
924	178	1,102	(Surplus) /deficit arising during the year	(2,509)	161	(2,348)
3,117	(426)	2,691	(Surplus) /deficit b/f at 1 April	4,041	(248)	3,793
4,041	(248)	3,793	(Surplus) /deficit c/f at 31 March	1,532	(87)	1,445

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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 2016

Band	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable	
	£	£						£
A(disabled)			18	9.81	5/9	5.45	866.32	
A	Up to & including	40,000	7,514	4,315.15	6/9	2,876.77	1,039.59	
B		40,001 - 52,000	11,758	8,963.25	7/9	6,971.42	1,212.85	
C		52,001 - 68,000	7,215	6,217.67	8/9	5,526.82	1,386.11	
D		68,001 - 88,000	4,246	3,847.47	9/9	3,847.47	1,559.38	
E		88,001 - 120,000	3,089	2,913.15	11/9	3,560.52	1,905.91	
F		120,001 - 160,000	1,139	1,087.29	13/9	1,570.53	2,252.46	
G		160,001 - 320,000	439	424.03	15/9	706.72	2,598.97	
H	More Than	320,001	17	16.00	18/9	32.00	3,118.74	
						35,435	27,793.82	
							25,097.68	
							Adjustment	0.99
							Council tax base	<u>24,846.71</u>

FOR THE YEAR ENDED 31 MARCH 2015

Band	Valuation band limits		Calculated number of dwellings	Adjusted for discounts	Ratio to Band D	Equated number of dwellings	Council Tax Payable	
	£	£						£
A(disabled)			14	12.75	5/9	7.08	849.84	
A	Up to & including	40,000	7,492	4,030.88	6/9	2,687.25	1,019.81	
B		40,001 - 52,000	11,734	8,623.14	7/9	6,706.89	1,189.78	
C		52,001 - 68,000	7,154	6,076.21	8/9	5,401.08	1,359.75	
D		68,001 - 88,000	4,223	3,838.50	9/9	3,838.50	1,529.72	
E		88,001 - 120,000	3,075	2,887.83	11/9	3,529.57	1,869.66	
F		120,001 - 160,000	1,120	1,067.70	13/9	1,542.23	2,209.60	
G		160,001 - 320,000	437	419.40	15/9	699.00	2,549.53	
H	More Than	320,001	17	16.00	18/9	32.00	3,059.44	
						35,266	26,972.41	
							24,443.60	
							Adjustment	0.99
							Council tax base	<u>24,199.17</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 2015/16 the amount was 49.3p and 48.0p for small businesses (48.2p and 47.1p for small businesses in 2014/15). 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 2016 was £84,413,503 (31 March 2015 = £84,291,283).

Redditch Borough Council

Notes to the Core Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IAS 19

International Accounting Standard 19 outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWL B)

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

RATEABLE VALUE

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

RELATED PARTIES

There is a detailed definition of related parties in FRS 8; the objective of which being to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Two or more parties are related when at any time during the financial period:

- a. one party has direct or indirect control over the other party; or
- b. the parties are subject to common control from the same source; or
- c. one party has influence over the financial and operating policies of the other party to the extent that that other party might be inhibited from pursuing at all times its own separate interests; or
- d. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest. For the Council's purposes, related parties are deemed to include the Authority's members, the Chief Executive, its

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.