

# Redditch Borough Council

Statement of Accounts for the year ended 31 March 2021



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# Redditch Borough Council

## Financial Statements for the year ended 31 March 2021

### Narrative Report

#### Narrative Report

##### Introduction

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

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

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

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

The sections are:

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

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2019/20 (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.

## Financial and Operational Performance

### Our District

Redditch

- Covers an area of 21 Square Miles
- Has 84,000 residents
- Has 41,000 Homes and Businesses
- Has 29 Councillors and 12 Wards which the present boundary review will reduce to 9 wards and 27 councillors

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

Elections are held every year for 3 years with up to 10 seats contested at a time. with no election in 4th year. All out elections will be held in 2024. The council has a 'leader and cabinet' form of governance, which means the council delegates authority to decide some matters to a 'cabinet' called the executive committee, which is chaired by the Leader of the Council. The executive committee handles much of the ordinary business of the council, with the full council having the final say on matters of strategic policy, budget and council tax.

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

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

### Strategic Purposes

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers in order to understand what goes on in our communities and have considered how we work with partners to support the issues within those communities.

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



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

How we achieve this:

- Nurture existing businesses and encourage a future generation of entrepreneurs
- Enhance the retail, leisure and residential offering within the district
- Positively promote Redditch as a place to live, work, invest and visit and encourage new inward investment

- Work with partners to improve the aspirations of our younger population and develop skills to meet the future demands of employers

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

How we achieve this:

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

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

How we achieve this:

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

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

How we achieve this:

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

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

How we achieve this:

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

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

How we achieve this:

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

**National Position**

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

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

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

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

**Organisational Performance**

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

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

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

Central Government announced that local authorities were to be responsible for the distribution of a number of grants throughout 2020-2021; including mandatory and discretionary business grants, self-isolation payments for individuals required to isolate. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner. Systems were continually reviewed and improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the Government’s requirements and satisfy the funding conditions. Using discretionary funding, the Council designed and approved grants schemes to support those businesses and individuals self-isolating put at financial hardship who fell outside the mandatory government grant schemes.

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

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

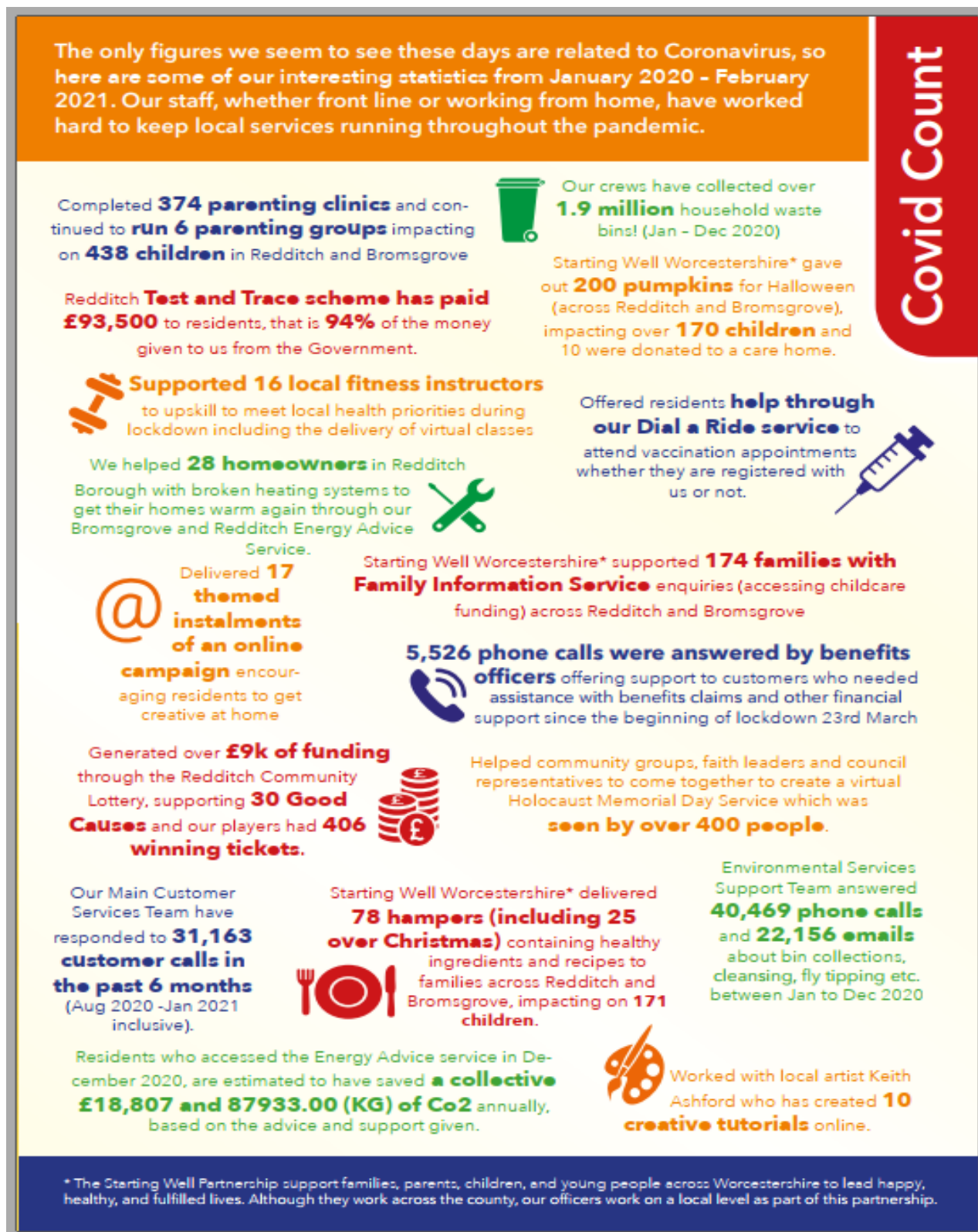
The Test and Trace figures for 2020/21 were:

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



Following the issuing of a Section 24 Notice in 2019, Members have shown through approvals that have been made to enable the balanced budget for 20/21 that difficult decisions are now being made which was a concern previously raised as part of the S24 notice. This was a dramatic improvement on the prior years performance and places the Council in a strong position moving forwards to deal with the uncertainties caused by Covid.

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



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

Leadership of a Borough Incident Management Team with all partners with objectives to:

- Explore district specific issues/outbreaks.
- Examine the drivers of Covid transmission.
- Generate population specific mitigations and solutions, and
- Problem solving across all sectors.

Escalation of issues, where required, was to the Health Protection Board/LRF/SCG/TCG with key actions being highlighted. Significant community engagement work was undertaken, including a vaccine hesitancy survey.

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

In terms of our Housing, within the Councils Housing stock Non Urgent repairs were stopped at various points through lockdown. This in turn led to a redistribution of staff, moving more resources into the Voids team away from Repairs.

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

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

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

- Conducting a Working Arrangements Survey in July 2020 with all staff. This was undertaken as a temperature check for the organisation to ensure the workforce were able to work well from home during the pandemic lockdown. Ensuring they had the necessary equipment, access and support.
- Wellbeing Survey (Stress Risk Audit) – carried out with all staff at the end of 2020 to assess how the workforce were feeling and how they were coping with the impacts of having to adapt to the new environment during the pandemic.

## Governance

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

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

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

The Council undertakes an annual review of its governance arrangements and this is summarised in the Annual Governance Statement on page 13.

## Reserves, Financial Performance and Financial Position

### Financial Outlook

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

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next 3 years. This has been exacerbated in 2020/21 by the C-19 pandemic, where we have seen significant drops of income and one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

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

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

The main source of income continues to be Council tax and the Government continue to allow Councils to increase Council Tax 3% or £5 per annum without a referendum. The medium-term financial plan assumes a further 2% increase per annum in future years.

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A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2021/22 but needs to address a shortfall in future years ranging from £261k in 2022/23 to £761k in 2023/24 to avoid using general reserves to balance the budget.



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

## Risks and Opportunities

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

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

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

## Expenditure and Funding Analysis

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

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

|  | Original Budget | Revised Budget | Draft Outturn       | Variance            |
|--|-----------------|----------------|---------------------|---------------------|
| Business Transformation and Organisational Development | 1,667,517.00    | 1,576,921.95   | 1,569,224.40        | (7,697.55)          |
| Community and Housing GF Services                      | 2,000,756.00    | 1,738,238.53   | 1,531,780.83        | (206,457.70)        |
| Corporate Financing                                    | (9,121,975.89)  | (8,163,102.01) | (8,653,390.92)      | (490,288.91)        |
| Corporate Services                                     | (3,209,342.11)  | (3,007,898.11) | (2,468,895.15)      | 539,002.96          |
| Environmental Services                                 | 2,676,940.00    | 2,660,624.72   | 2,437,678.26        | (222,946.46)        |
| Financial and Customer Services                        | 1,832,247.00    | 1,321,360.67   | 1,578,820.16        | 257,459.49          |
| Legal, Democratic and Property Services                | 2,036,633.00    | 1,741,087.55   | 1,514,188.19        | (226,899.36)        |
| Planning, Regeneration and Leisure Services            | 1,148,274.00    | 1,163,815.70   | 1,078,391.15        | (85,424.55)         |
| Regulatory Client                                      | 352,702.00      | 352,702.00     | 346,748.15          | (5,953.85)          |
| Rubicon Client   | 648,249.00      | 648,249.00     | 806,315.55          | 158,066.55          |
| Starting Well  | (32,000.00)     | (32,000.00)    | (31,170.43)         | 829.57              |
| <b>Grand Total</b>                                     | <b>-</b>        | <b>-</b>       | <b>(290,309.81)</b> | <b>(290,309.81)</b> |

The actuals reported above are based on the management accounts for the authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure statement (CIES) and the expenditure and funding analysis (EFA).

As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

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As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

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

#### **Business Transformation & Organisational Development (Total underspend of £8k)**

£37k underspend due to salary vacancies in HR

£36k shortfall in income from street naming and numbering

£21k underspend on corporate training budget due to Covid 19 and the reduced ability to deliver training

#### **Community & Housing GF Services (Total underspend £206k)**

£138k underspend on underspend is due to staff restructure in anti-social behaviour

#### **Chief Executive and Corporate Services (Total overspend of £539k)**

£342k overspend on corporate services primarily due to higher than originally budgeted for pension costs (this being previously reported at Q3). This has now been factored into ongoing budgets. In addition to this there was also an increase in the bad debt provision duuring the year.

#### **Environmental Services (Total underspend of £223k)**

£112k additional income from bereavement services (due to Covid pandemic).

£63k savings on hedge cutting team due to the success of the trial of using less agency workers and vehicles.

#### **Financial & Customer Services (Total overspend of £257k)**

£256k under recovery in benefits as there have not been any court recoveries taking place due to the pandemic (the rules not allowing for this action). This has been projected through the year.

#### **Legal, Democratic & Property Services (Total underspend of £227k)**

£332k underspend in assets and facilities management due to savings on utility budgets and other premise based operational budgets within some of our public buildings including the Town Hall. These savings were due to the pandemic's impact re reduced opening hours during the year and reflect the usual operational costs of heating and operating our assets.

£54k overspend in business development predominantly due to the loss of income from Learning online & civic suite hire due to current circumstances.

#### **Planning, Regeneration & Leisure Services (Total underspend of £87k)**

Parks and events were underspent by £127k as events have not taken place also due to COVID-19 along with some temporary salary savings  
£90k overspend on economic and tourism development due to some additional costs following the closure of the Rubicon Business centre. There is also a shortfall in income at the other business centres projected

#### **RBC Regulatory Client (Total underspend £6k)**

There were no material variances

#### **RBC Rubicon Client (Total overspend £158k)**

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

#### **Corporate Financing**

The above table shows that in summary this service area was under £490k. The main variations being as follows

- £183k underspend driven largely by interest payable being lower due to a lower than forecast borrowing requirement (due to Covid-19 monies being paid in advance into our accounts) and lower interest rates (cut to historically low levels due to Covid-19), as well as a lower than budgeted MRP charge for the year due to previous year underspend on capital programme (partially Covid impacted).

Lower in-year minimum revenue provision charge

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

It is important to note that of the £863k applied in 20/21 year, £543k was paid over to Rubicon Leisure to support them due to the reduction in leisure income as covid forced the closure of leisure facilities. A further £120k has been requested and approved in the 2020/21 Outturn Report.

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

#### **Reserves**

The Underspend position has resulted in the Councils General Fund position increasing from an opening position of £1.599m by the underspend position of £290k to a closing position of £1.889m

Earmarked Reserves have increased from an opening position of £4.980m to a closing position of £11.473m. Main changes are

- £0.836m increase in Business Rates Retention Scheme
- £0.580m in general C-19 Grants
- £4,433 of Collection Fund C-19 Grant – to offset 2020/21 non collection in future years

#### **Grants**

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

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

## **Capital**

The management accounts reported the following capital outturn:-

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

There have been significant underspends in capital during the course of the year. This has been due to delayed starts in projects and slower spend than anticipated. A review of the capital programme has taken place moving forwards to ensure a more accurate position and reduce potential future variances to budget. – I need an update on this and the following 2 statements (especially around the HRA)

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

The Housing Revenue Account for 2020/21 is showing an underspend of £1.9m and This represents an actual contribution to HRA balance of £1.72m in comparison to the budget which was set at £208k contribution from HRA balances.

The overall performance of the HRA service was severely constrained by the restrictions and lockdowns in response to the covid outbreak, Essentially, a lot of activity relating to repairs, maintenance, and the overall management of the HRA could not be done and had to be rescheduled to future years.

Repairs and maintenance is showing an underspend of £1.3m and £637k of this is due to reduced activity in relation to (demand led) responsive repairs.

Similarly, activities relating to the supervision and management of the HRA was reduced and this resulted in an underspend of £650k

However, dwellings rental income is £150k lower than budget due to the incidence of voids and the turnaround period of void properties.

The HRA capital program for 2020/21 is showing an underspend of £7m. As noted above this was due to rescheduling of the planned program of works to future years because of covid restrictions.

# Redditch Borough Council

## Financial Statements

### FOR THE YEAR ENDED 31ST MARCH 2021

#### 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 Interim Director of Finance;

The Interim Director of Finance is responsible for the preparation of Redditch Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit, Governance and Standards Committee when they consider both the draft and final Statements of Account and is approved by the Audit, Governance and Standards Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Interim Director of Finance):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Management Team

##### In preparing this Statement of Accounts, the Interim Director of Finance 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 Interim Director of Finance 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 2021 and its income and expenditure for the year ended on that date.

**SIGNED** ..... **Date:** .....

##### Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2021 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 39.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....  
Chief Financial Officer Date

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on .....

.....  
Chairman Date



### Scope of Responsibility

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

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

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

### The Governance Framework

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council.
- Terms of reference for member working groups ( e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, 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. This includes the scheme of delegation to officers.
- Decision making is carried out through Executive, Planning Committee and Audit, Governance and Standards Committee . Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 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. In addition a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.

- Robust financial management arrangements are in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, this was implemented on the 8th February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements 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 new issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases are submitted and on line information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

## Review of Effectiveness

Redditch has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Redditch Borough who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and 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 Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

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

- **Audit, Governance and Standards Committee**  
The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.
- **Internal Audit**  
RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

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

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

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

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

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

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

At the time of writing this opinion in relation to the 16 reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited'.

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

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

## Significant Governance Issues

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

| Area of Assurance   | Assurance Gap/Proposal to Mitigate   | Progress   |
|---|--|--|
| Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers. | Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.   | Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the summer of 2022 draft 2020/21 Accounts will be approved by Audit Committee in December 2022. The 2021/22 Accountst process will start in December 2022 and so will also be late. This issue will remain until 2022/23 accounts are submitted. |
| The implementation of a new Finance system on the 8th February 2021.  | Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash Receipting is not working as expected and so rectification with software providers Tech1 is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process | Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6 November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but stilkl require full embedding  |
| The loss of significant numbers of finance staff during 2021  | Recrutiment campaign planned for Fall of 2021.   | Recruitment campaign was not successful and only 3 staff onboarded. Subsequent recruitment campaign undertaken in Spring on 2022 where 10 staff have been onboarded by August.   |
| Delivery of Services during Covid-19  | Ensure processes are in place to keep staff and customers safe while delivering existing and additional services to all stakeholders.  | Revised arrangements for service delivery set up with majority of staff working remotely. ICT enabled this to happen quickly. Additional Grants for individuals and business community allocated and BEIS and DLUHC compliance regimes met.  |

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

| Area of Assurance  | Assurance Gap/Proposal to Mitigate   | Progress  |
|--|--|---|
| Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation | Full mitigation steps set out in the S24 Report. Key items include rectification of the Cash Receipting Issue and delivery of the 2020/21 accounts. Full process set out in the finance recovery process which was presented to Executive in September 2022. | Cash Receipting issues rectified over the 5th/6th November. 2022/21 Accounts being drafted for presentation to Audit, Governance and Standards Committee on the 15 December 2022  |
| The Council needs to ensure that the Medium Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.                             | Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.   | MFTP is being produced in 2 Tranches in 2023/24. First Tranche, with full backing papers, went to Executive on the 25th October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood.    |
| The Council needs to ensure that key reports and appropriate supporting documentation are provided to Members in a timely way and in an accordance with relevant Codes and Practice  | Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.   | Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring report.<br>2022/23 Capital Strategy, Treasury Management Strategy, and MRP Policy presneted to Executive for approval and then Council in July 2022. |

|  |   |   |
|--|---|---|
| <p>The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.</p> <p>The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice</p> | <p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p> | <p>Additional working groups (Back Office and 4th Tier) set up to ensure that projects are properly identified and "gatekept". Key projects reviewed by CMT on a quarterly basis. Full learning process will be run following the closure of the 2020/21 account in relation to lessons learnt.</p> |
| <p>The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.</p> <p>The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.</p>  | <p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p> | <p>Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.</p>  |
| <p>The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.</p> <p>The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.</p>  | <p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p> | <p>Risk Management now reported to Audit, Governance and Standards Committee on a quarterly basis with updates in the new format in July and October 2022. This includes a revised definition of a "corporate risk"</p>   |
| <p>The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Governance and Standards Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.</p> <p>The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.</p>  | <p>Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Executive in September 2022.</p> | <p>Performance Monitoring now part of the Combined Finance and Performance Monitoring Report which is presented to Members on a quarterly basis. This includes Corporate Plan KPI's.</p>  |

An opinion from the Head of Worcestershire Internal Audit is provided in the accounts on page 19.

## Conclusion and Evaluation

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

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

**Signed .....**

**Date .....**

**Signed .....**

**Date .....**

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

**1. Head of Internal Audit Opinion**

- 1.1 Internal Audit: Redditch Borough Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.
- 1.2 Due to the global COVID-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

**Overall Governance Conclusion**

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

**Risk Management Conclusion**

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

**Audit Opinion**

- 1.5 The internal audit of Redditch Borough Council's systems and operations during 2020/21 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 27th July 2020. This required a significant and subsequent revision due to the impact of the global pandemic.
- 1.6 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.7 The Internal Audit Plan for 2020/2021 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
  - a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.8 The 2020/21 internal audit plan was heavily revised due to the COVID-19 global pandemic. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 1.9 At the time of writing this opinion in relation to the 15 reviews undertaken, all have been finalised. Areas which returned an assurance level of 'limited' or 'no' included risk assurance.
- 1.10 A clear management action plan has been formulated to address the issues identified in all the audit area where 'no' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with the action plan being formulated by the Finance and Customer Services Manager.
- 1.11 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including a lack of awareness regarding a handbook and a requirement to update antifraud and corruption procedures. No areas of significant risk have been identified in addition to those already identified in the audit work completed.
- 1.12 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.
- 1.13 11 of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The two critical friend reviews that were undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the previous year results and corporate position due to the impact the pandemic had.



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

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

## The Core Financial Statements



# Redditch Borough Council

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

|   | General Fund<br>Balance<br>£000 | Earmarked<br>General<br>Fund<br>Reserves<br>£000 | Total<br>General<br>Fund<br>Balance<br>£000 | HRA<br>Balance<br>£000 | Earmarked<br>HRA<br>Reserves<br>£000 | Total HRA<br>Balance<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Major<br>Repairs<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Total<br>Unusable<br>Reserves<br>£000 | Total<br>Authority<br>Reserves<br>£000 |
|---|---------------------------------|--|---|------------------------|--------------------------------------|------------------------------|--|-------------------------------------|--|-------------------------------------|---------------------------------------|--|
| <b>Balance as at 1 April 2019</b>   | <b>1,225</b>                    | <b>5,120</b>                                     | <b>6,345</b>                                | <b>770</b>             | <b>18,236</b>                        | <b>19,006</b>                | <b>6,879</b>                           | <b>5,866</b>                        | <b>2,155</b>                           | <b>40,251</b>                       | <b>118,686</b>                        | <b>158,937</b>                         |
| <b>Movement in reserves during the year</b>                                     |                                 |  |   |                        |                                      |                              |  |                                     |  |                                     |                                       |  |
| <b>Total Comprehensive Income and Expenditure</b>                               | 1,657                           | 0  | 1,657                                       | (1,304)                | 0                                    | (1,304)                      | 0                                      | 0                                   | 0                                      | 353                                 | 19,475                                | 19,828                                 |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | (1,425)                         |  | (1,425)                                     | (1,699)                | 0                                    | (1,699)                      | 931                                    | 3,675                               | 249                                    | 1,731                               | (1,731)                               | 0                                      |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>             | <b>232</b>                      | <b>0</b>   | <b>232</b>                                  | <b>(3,003)</b>         | <b>0</b>                             | <b>(3,003)</b>               | <b>931</b>                             | <b>3,675</b>                        | <b>249</b>                             | <b>2,084</b>                        | <b>17,744</b>                         | <b>19,828</b>                          |
| Transfers to or from earmarked reserves   | 142                             | (142)  | 0   | 2,977                  | (2,977)                              | 0                            |  |                                     |  | 0                                   |                                       | 0                                      |
| <b>(Increase)/Decrease in Year</b>  | <b>374</b>                      | <b>(142)</b>                                     | <b>232</b>                                  | <b>(26)</b>            | <b>(2,977)</b>                       | <b>(3,003)</b>               | <b>931</b>                             | <b>3,675</b>                        | <b>249</b>                             | <b>2,084</b>                        | <b>17,744</b>                         | <b>19,828</b>                          |
| <b>Balance as at 31 March 2020</b>  | <b>1,599</b>                    | <b>4,979</b>                                     | <b>6,577</b>                                | <b>744</b>             | <b>15,259</b>                        | <b>16,003</b>                | <b>7,810</b>                           | <b>9,541</b>                        | <b>2,404</b>                           | <b>42,335</b>                       | <b>136,430</b>                        | <b>178,765</b>                         |
| <b>Closing General Fund and HRA Balance 31 March 2020</b>                       |                                 |  |   |                        |                                      | <b>22,580</b>                |  |                                     |  |                                     |                                       |  |
| <b>Movement in reserves during the year</b>                                     |                                 |  |   |                        |                                      |                              |  |                                     |  |                                     |                                       |  |
| <b>Total Comprehensive Income and Expenditure</b>                               | (3,995)                         | 0  | (3,995)                                     | 1,203                  | 0                                    | 1,203                        | 0                                      | 0                                   | 0                                      | (2,792)                             | 21,418                                | 18,626                                 |
| Adjustments between accounting basis & funding basis under regulations          | 10,778                          |  | 10,778                                      | (2,393)                |                                      | (2,393)                      | 766                                    | 3,328                               | (128)                                  | 12,351                              | (12,351)                              | 0                                      |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>             | <b>6,783</b>                    | <b>0</b>   | <b>6,783</b>                                | <b>(1,190)</b>         | <b>0</b>                             | <b>(1,190)</b>               | <b>766</b>                             | <b>3,328</b>                        | <b>(128)</b>                           | <b>9,559</b>                        | <b>9,067</b>                          | <b>18,626</b>                          |
| Transfers to or from earmarked reserves   | (6,493)                         | 6,493  | 0   | 1,203                  | (1,203)                              | 0                            |  |                                     |  | 0                                   |                                       | 0                                      |
| <b>(Increase)/Decrease in Year</b>  | <b>290</b>                      | <b>6,493</b>                                     | <b>6,783</b>                                | <b>13</b>              | <b>(1,203)</b>                       | <b>(1,190)</b>               | <b>766</b>                             | <b>3,328</b>                        | <b>(128)</b>                           | <b>9,559</b>                        | <b>9,067</b>                          | <b>18,626</b>                          |
| <b>Balance as at 31 March 2021</b>  | <b>1,889</b>                    | <b>11,472</b>                                    | <b>13,360</b>                               | <b>757</b>             | <b>14,056</b>                        | <b>14,813</b>                | <b>8,576</b>                           | <b>12,869</b>                       | <b>2,276</b>                           | <b>51,894</b>                       | <b>145,497</b>                        | <b>197,391</b>                         |
| <b>Closing General Fund and HRA Balance 31 March 2021</b>                       |                                 |  |   |                        |                                      | <b>28,173</b>                |  |                                     |  |                                     |                                       |  |

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

Enabling of the Authority  
 Help me be financially independent (including Education and Skills)  
 Help me find somewhere to live in my locality  
 Help me to live my life independently (including Health and Activity)  
 Help me run a successful business  
 Keep my place safe and looking good  
 Provide good things for me to see, do and visit  
 Local authority housing - (HRA)  
 Revaluation of Housing Revenue Account Stock

### Cost of Services

### Other Operating Expenditure

### Financing and Investment Income and Expenditure

### Taxation and Non-Specific Grant Income and Expenditure

**(Surplus) or Deficit on Provision of Services**

(Surplus) or deficit on revaluation of Property, Plant and Equipment  
Remeasurement of the net defined benefit liability/(asset)

### Other Comprehensive Income and Expenditure

### Total Comprehensive Income and Expenditure

|    |               | 2019/20         |                 |
|----|---------------|-----------------|-----------------|
|    | £000          | £000            | £000            |
|    | Expenditure   | Income          | Net             |
|    | 4,175         | (2,345)         | 1,830           |
|    | 18,225        | (17,525)        | 700             |
|    | 2,148         | (759)           | 1,389           |
| ** | 2,005         | (1,626)         | 379             |
|    | 2,632         | (1,708)         | 924             |
| ** | 7,793         | (3,240)         | 4,553           |
|    | 2,410         | (707)           | 1,703           |
|    | 20,441        | (24,123)        | (3,682)         |
|    | 69            |                 | 69              |
|    | <b>59,898</b> | <b>(52,033)</b> | <b>7,865</b>    |
|    | (235)         | 0               | (235)           |
|    | 5,298         | (70)            | 5,228           |
|    | 0             | (13,211)        | (13,211)        |
|    |               |                 | <b>(353)</b>    |
|    |               |                 | (15,090)        |
|    |               |                 | (4,385)         |
|    |               |                 | <b>(19,475)</b> |
|    |               |                 | <b>(19,828)</b> |

# Redditch Borough Council

Balance Sheet as at 31 March 2021

|                                    | Notes         | 31st March 2021<br>£000 | 31st March 2020<br>£000 |
|------------------------------------|---------------|-------------------------|-------------------------|
| Property, Plant & Equipment        | <b>14/14a</b> | 373,538                 | 349,827                 |
| Heritage Assets                    |               | 54                      | 57                      |
| Intangible Assets                  | <b>15</b>     | 1,655                   | 652                     |
| Long Term Debtors                  | <b>16</b>     | 952                     | 952                     |
| <b>Long Term Assets</b>            |               | <b>376,199</b>          | <b>351,488</b>          |
| Short Term Investments             | <b>16</b>     | 10,000                  | 9,750                   |
| Inventories                        | <b>17</b>     | 222                     | 277                     |
| Short Term Debtors                 | <b>18</b>     | 14,634                  | 9,211                   |
| Cash and Cash Equivalents          | <b>19</b>     | 855                     | 1,511                   |
| <b>Current Assets</b>              |               | <b>25,711</b>           | <b>20,749</b>           |
| Short Term Borrowing               | <b>16</b>     | 0                       | 0                       |
| Short Term Creditors               | <b>21</b>     | (16,614)                | (14,031)                |
| Provisions                         | <b>22</b>     | (3,339)                 | (556)                   |
| Revenue Grants received in advance | <b>33</b>     | (8,325)                 | 0                       |
| <b>Current Liabilities</b>         |               | <b>(28,278)</b>         | <b>(14,587)</b>         |
| Long Term Borrowing                | <b>16</b>     | (103,929)               | (104,063)               |
| Other Long Term Liabilities        | <b>37</b>     | (72,312)                | (74,095)                |
| Capital Grants received in advance | <b>33</b>     | 0                       | (727)                   |
| <b>Long Term Liabilities</b>       |               | <b>(176,241)</b>        | <b>(178,885)</b>        |
| <b>Net Assets</b>                  |               | <b>197,391</b>          | <b>178,765</b>          |
| Usable reserves                    | <b>24</b>     | 51,894                  | 42,335                  |
| Unusable Reserves                  | <b>25</b>     | 145,497                 | 136,430                 |
| <b>Total Reserves</b>              |               | <b>197,391</b>          | <b>178,765</b>          |



# Redditch Borough Council

## Cash Flow Statement at 31 March 2021

|   | Notes | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Net surplus on the provision of services</b>   |       | (2,792)         | 353             |
| Adjustment to surplus or deficit on the provision of services for non-cash movements  | 26    | 7,010           | 11,936          |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 26    | 0               | (5,933)         |
| <b>Net cash flows from Operating Activities</b>   |       | <b>4,218</b>    | <b>6,356</b>    |
| <b>Investing Activities</b>   | 27    | <b>1,825</b>    | <b>(8,708)</b>  |
| <b>Financing Activities</b>   | 28    | <b>(6,699)</b>  | <b>2,725</b>    |
| <b>Net increase or decrease in cash and cash equivalents</b>  |       | <b>(656)</b>    | <b>373</b>      |
| Cash and cash equivalents at the beginning of the reporting period  |       | 1,511           | 1,138           |
| <b>Cash and cash equivalents at the end of the reporting period</b>   |       | <b>855</b>      | <b>1,511</b>    |

## Notes to the Core Financial Statements



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 1 Accounting Policies

#### General Principles

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

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

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

#### Summary of Significant Accounting Policies

##### 1) Revenue and Expenditure Recognition

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

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

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

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

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

##### 2) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

- depreciation attributable to the assets used by the relevant service
  - revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
  - amortisation of intangible fixed assets attributable to the service.
- The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

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

##### **Accounting for Council Tax and NDR**

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

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

#### **6) Employee Benefits Benefits Payable During Employment**

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

##### **Termination benefits**

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

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

##### **Post Employment Benefits**

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

## The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - current service cost – the increase in liabilities 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 authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

## 7) Events After the Reporting Period

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

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

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

## 8) Fair Value Measurement

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

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



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

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

## 9) **Financial Instruments** **Financial Liabilities**

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

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

### **Financial Assets**

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

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

Financial assets are classified into the following categories:

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

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

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

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

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

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

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

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

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

#### • **Impairment**

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

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

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

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

## **10) Government Grants and Contributions**

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

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

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

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

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

## **11) Heritage Assets**

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

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

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

## **12) Intangible Assets**

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

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

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

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

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

### 13) Interests in Companies and Other Entities

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

### 14) Inventories and Long Term Contracts

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

Long term contracts are accounted for 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.

### 15) Joint Operations

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

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

### 16) Leases

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

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

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

#### **The Authority as Lessee Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **Operating Leases**

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

#### **The Authority as Lessor Finance Leases**

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. (England and Wales).

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

### **Operating Leases**

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

### **17) Materiality**

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

### **18) Overheads and Support Services**

In the Financial Statements overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

### **19) Property, Plant and Equipment**

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

#### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any 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 the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

### **Provisions**

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

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

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

Where some or all 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 authority settles the obligation.

#### **Contingent Liabilities**

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

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

#### **Contingent Assets**

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

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

### **21) Reserves**

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

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

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

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

### **23) Shared Services**

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

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

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

The Management team is shared across both authorities as well as other services. Cross-charging occurs where 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.

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

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



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

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

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

There is an amendment to IFRS 16 Leases, this standard was due to be implemented on 1st April 2020 but this has now been delayed until 1st April 2022.

IFRS 16 Leases. The amendment requires Local Authorities who are lessees to recognise leases on the balance sheet as right of use assets with a corresponding lease liability.

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

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

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

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 earmarked General Fund reserves of £4,979k and a General Fund Balance of £1,599k.

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

The Council has determined that a Group Accounting relationship exists with Rubicon Leisure Limited which was formed in December 2018. Rubicon Leisure Limited is a company limited by guarantee and is 100% controlled by the Council. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in note 23. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20th May 2020 which ruled that automated teller machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded in the 2020/21 financial year. Full provision is made in the provision for business rate appeals as at 31st March 2020 and settlements in year has seen these balances reduce. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in note 22.

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

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

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                          | Uncertainties   | Effect if Actual Results Differ from Assumptions   |
|-------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.                      | If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE (excluding Council dwellings) would increase by £267k for every year that useful lives had to be reduced.                    |
| Pensions Liability            | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £3,061k. Further sensitivity analysis can be seen in the defined benefit pension scheme note. |

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

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

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

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

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.

As such the Council has used the valuations provided by its valuers but intends to review these when circumstances are more stable.

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2021

## Note 5 Material Items of Income and Expense

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

- 1) Long Term assets have increased by £12,653k.
- 2) There has been a decrease in the pension deficit reducing from £76,572k to £74,095k. Note 37 provides a detailed analysis of the pension fund
- 3) Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1st December 2018 through a management agreement with the Council. Rubicon Leisure Limited is a company limited by guarantee and the Guarantor and 100% owner is Redditch Borough Council. The income and expenditure of the Company is incorporated in the Group CIES. Further details on Rubicon Leisure Limited are provided in Note 23.
- 4) From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income.
- 5) Creditors and provisions have changed significantly. Creditors have increased by £6,637k from £7,385k in 2018/19 to £14,022k in 2019/20 whereas provisions have reduced by £2,730k from £3,286k to £556k in 2019/20.
- 6) The Council received £1,272k Government grant in advance in 2019/20 in respect of Covid 19 and this has been recorded as a receipt in advance within creditors on the Balance Sheet as at 31st March 2020.

The following items are material for the 2020/21 Financial year. It should be noted, the most significant of these will be linked to C-19 which impacted services throughout the year.

- 1) Distribution of £19.991m of Grants to business through a variety of schemes which were fully supported the Government Department for Business, Energy and Industrial Strategy (BEIS). These Grants were fully reimbursed by the Government. These grants were paid to 2,568 businesses
- 2) Receipt of £1.45m of General Grant from the Department of Levelling Up Housing and Communities (DLUHC) to recompense Councils for the delivery of services during the Pandemic
- 3) There was a significant reduction in Sales, Fees and Charges income due to the Pandemic. The Council was required to send monthly returns to DLUHC to enable them to understand the impact the pandemic was having on their delivery of services. The Council received £0.36m for lost sales, fees and charges income through the completion of these returns
- 4) There has been an increase in the pension deficit from £74.1m to £76.5m. Note 37 provides a detailed analysis of the pension changes.
- 5) The Council have received S31 Grant for non collection of Tax income during the 2020/21 financial year. This amounts to £7.2m. This figure was £8.4m higher at £15.6m, but the Council repaid £8.4m as a payment on account during 2021/22 and so the figure is treated as a Grant Creditor at year end.
- 6) The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals.

## Note 6 Events after the Reporting Period

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

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

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

A provision of £239k has been included within the business rates appeals in 19/20 for the settlement of the ATM's case which will be settled in 20/21 and £153k for GP Surgeries. These amounts have been drawn down during the 2020/21 financial year. Further information on the provision for appeals is contained within note 22.

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

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

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2021

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

| 2020/21   | Usable Reserves              |                                 |                                  |                               |                                  |                                       |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|   | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repair Reserves<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£000 |
| <b>Adjustments to the Revenue Resources</b>   |                              |                                 |                                  |                               |                                  |                                       |
| <b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.</b> |                              |                                 |                                  |                               |                                  |                                       |
| Pension cost (transferred to (or from) the Pensions Reserve)  | 505                          | 841                             | 0                                | 0                             | 0                                | (1,346)                               |
|   | 0                            | 0                               |                                  |                               |                                  | 0                                     |
| Council tax and NDR (transfers to or from the Collection Fund)  | 8,118                        | 0                               | 0                                | 0                             | 0                                | (8,118)                               |
| Holiday pay (transferred to the Accumulated Absences reserve)   | 0                            | 0                               | 0                                | 0                             | 0                                | 0                                     |
| Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)   | 0                            | 0                               | 0                                | 0                             |                                  | 0                                     |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)                          | 2,156                        | 7,607                           | 0                                | 0                             | 0                                | (9,763)                               |
| <b>Total Adjustments to Revenue Resources</b>   | <b>10,779</b>                | <b>8,448</b>                    | <b>0</b>                         | <b>0</b>                      | <b>0</b>                         | <b>(19,227)</b>                       |
| <b>Adjustments between Revenue and Capital Resources</b>  |                              |                                 |                                  |                               |                                  |                                       |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve  | 0                            | (2,107)                         | 2,107                            | 0                             | 0                                | 0                                     |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)  | 0                            | 39                              | (39)                             | 0                             | 0                                | 0                                     |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)   | 850                          | 0                               | (850)                            | 0                             | 0                                | 0                                     |
| Posting of HRA resource from revenue to the Major Repairs Reserve   | 0                            | (5,860)                         | 0                                | 5,860                         | 0                                | 0                                     |
| Use of flexible capital receipts to fund service reform   | 0                            | 0                               | 0                                | 0                             | 0                                | 0                                     |
| Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)  | (851)                        | 0                               | 0                                | 0                             | 0                                | 851                                   |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)   | 0                            | (2,913)                         | 0                                | 0                             | 0                                | 2,913                                 |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(1)</b>                   | <b>(10,841)</b>                 | <b>1,218</b>                     | <b>5,860</b>                  | <b>0</b>                         | <b>3,764</b>                          |
| <b>Adjustments to Capital Resources</b>   |                              |                                 |                                  |                               |                                  |                                       |
| Use of the Capital Receipts Reserve to finance capital expenditure  | 0                            | 0                               | (452)                            | 0                             | 0                                | 452                                   |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                            | 0                               | 0                                | (2,532)                       | 0                                | 2,532                                 |
| Application of capital grants to finance capital expenditure  | 0                            | 0                               | 0                                | 0                             | (128)                            | 128                                   |
| <b>Total Adjustments to Capital Resources</b>   | <b>0</b>                     | <b>0</b>                        | <b>(452)</b>                     | <b>(2,532)</b>                | <b>(128)</b>                     | <b>3,112</b>                          |
| <b>Total Adjustments</b>  | <b>10,778</b>                | <b>(2,393)</b>                  | <b>766</b>                       | <b>3,328</b>                  | <b>(128)</b>                     | <b>(12,351)</b>                       |

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

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 10 Movements in Earmarked Reserves

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

|                                  | Balance as at<br>1 April 2019<br>£000 | Transfers In<br>2019/20<br>£000 | Transfers Out<br>2019/20<br>£000 | Balance as at<br>31 March<br>2020<br>£000 | Transfers In<br>2020/21<br>£000 | Transfers Out<br>2020/21<br>£000 | Balance as at<br>31 March<br>2021<br>£000 |
|----------------------------------|---------------------------------------|---------------------------------|----------------------------------|---|---------------------------------|----------------------------------|---|
| <b>General Fund:</b>             |                                       |                                 |                                  |   |                                 |                                  |   |
| Business Rate grants             | 7                                     | 0                               | (7)                              | 0   | 0                               | 0                                | 0   |
| Business Rates Retention Scheme  | 3,246                                 | 2,002                           | (3,252)                          | 1,996                                     | 836                             | 0                                | 2,832                                     |
| Support for Commercialism        | 28                                    | 0                               | (28)                             | 0   | 0                               | 0                                | 0   |
| Community Development            | 4                                     | 65                              | (2)                              | 67  | 7                               | 0                                | 74  |
| Community Safety                 | 225                                   | 302                             | (225)                            | 302                                       | 202                             | (272)                            | 232                                       |
| Corporate Services               | 150                                   | 150                             | (150)                            | 150                                       | 0                               | (1)                              | 149                                       |
| Customer Services                | 12                                    | 0                               | (12)                             | 0   | 93                              | 0                                | 93  |
| Economic Growth                  | 0                                     | 330                             | 0                                | 330                                       | 0                               | 0                                | 330                                       |
| Electoral Services               | 40                                    | 23                              | (19)                             | 44  | 5                               | 0                                | 49  |
| Environmental Vehicles           | 0                                     | 0                               | 0                                | 0   | 29                              | 0                                | 29  |
| Equalities                       | 11                                    | 0                               | (11)                             | 0   | 0                               | 0                                | 0   |
| Equipment replacement            | 73                                    | 0                               | (26)                             | 47  | 0                               | (22)                             | 25  |
| Financial Services               | 55                                    | 32                              | 0                                | 87  | 0                               | 0                                | 87  |
| General Risk reserve             | 17                                    | 35                              | (7)                              | 45  | 0                               | 0                                | 45  |
| Housing Benefit Implementation   | 200                                   | 70                              | 0                                | 270                                       | 0                               | 0                                | 270                                       |
| Housing Support                  | 724                                   | 118                             | (97)                             | 745                                       | 283                             | (50)                             | 978                                       |
| Land Charges                     | 9                                     | 0                               | 0                                | 9   | 0                               | 0                                | 9   |
| Land Drainage                    | 141                                   | 0                               | (12)                             | 129                                       | 0                               | 0                                | 129                                       |
| Leisure                          | 0                                     | 0                               | 0                                | 0   | 0                               | 0                                | 0   |
| Mercury Emissions                | 0                                     | 0                               | 0                                | 0   | 0                               | 0                                | 0   |
| Parks & Open spaces              | 23                                    | 8                               | (23)                             | 8   | 0                               | 0                                | 8   |
| Planning Services                | 30                                    | 678                             | (39)                             | 669                                       | 0                               | (153)                            | 516                                       |
| Public Donations - Shop mobility | 6                                     | 0                               | (6)                              | 0   | 0                               | 0                                | 0   |
| Sports Development               | 63                                    | 68                              | (63)                             | 68  | 0                               | (59)                             | 9   |
| Town Centre                      | 45                                    | 0                               | (43)                             | 2   | 5                               | 0                                | 7   |
| Warmer Homes                     | 12                                    | 0                               | 0                                | 12  | 4                               | 0                                | 16  |
| Transformational Growth          |                                       |                                 |                                  | 0   | 100                             | 0                                | 100                                       |
| Pensions                         |                                       |                                 |                                  | 0   | 200                             | 0                                | 200                                       |
| Regeneration Income              |                                       |                                 |                                  | 0   | 273                             | 0                                | 273                                       |
| Covid-19 (General)               |                                       |                                 |                                  | 0   | 580                             | 0                                | 580                                       |
| Covid-19 (Collection Fund)       |                                       |                                 |                                  | 0   | 4,433                           | 0                                | 4,433                                     |
| <b>Total General Fund</b>        | <b>5,121</b>                          | <b>3,881</b>                    | <b>(4,022)</b>                   | <b>4,980</b>                              | <b>7,050</b>                    | <b>(557)</b>                     | <b>11,473</b>                             |
| <b>HRA</b>                       |                                       |                                 |                                  |   |                                 |                                  |   |
| Housing Capital                  | 18,235                                | 0                               | (2,977)                          | 15,258                                    | 0                               | 0                                | 15,258                                    |
| <b>Total HRA</b>                 | <b>18,235</b>                         | <b>0</b>                        | <b>(2,977)</b>                   | <b>15,258</b>                             | <b>0</b>                        | <b>0</b>                         | <b>15,258</b>                             |
| <b>Total Earmarked Reserves</b>  | <b>23,356</b>                         | <b>3,881</b>                    | <b>(6,999)</b>                   | <b>20,238</b>                             | <b>7,050</b>                    | <b>(557)</b>                     | <b>26,731</b>                             |



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 11 Other Operating Expenditure

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Parish Council precepts                                  | 10              | 8               |
| Levies   | 0               | 0               |
| Payments to the Government Housing Capital Receipts Pool | 850             | 850             |
| Gains/losses on the disposal of non current assets       | (321)           | (1,193)         |
| Use of flexible capital receipts to fund service reform  | 0               | 100             |
| <b>Total</b>   | <b>539</b>      | <b>(235)</b>    |

### Note 12 Financing and Investment Income and Expenditure

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Interest payable and similar charges  | 2,203           | 3,564           |
| Net interest on the net defined benefit liability (asset)                                   | 1,558           | 1,734           |
| Interest receivable and similar income  | (70)            | (70)            |
| Income and expenditure in relation to investment properties and changes in their fair value | 0               | 0               |
| Other investment income   | 0               | 0               |
| <b>Total</b>  | <b>3,691</b>    | <b>5,228</b>    |

### Note 13 Taxation and Non-Specific Grant Income and Expenditure

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Income</b>                             |                 |                 |
| Council Tax Income                        | (6,438)         | (6,318)         |
| Non Domestic Rates Income and Expenditure | (2,179)         | (4,894)         |
| Non-ring-fenced government grants         | (6,638)         | (876)           |
| Income from a Business Rates Supplement   | 0               | 0               |
| Capital Grants and Contributions          | 0               | (1,123)         |
| <b>Total</b>                              | <b>(15,255)</b> | <b>(13,211)</b> |

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 14 Property, Plant and Equipment

#### Current Year

|  | Property, Plant & Equipment (PP&E) |               |                |                             |                       |                  |                         |                |                 |
|--|------------------------------------|---------------|----------------|-----------------------------|-----------------------|------------------|-------------------------|----------------|-----------------|
|  | Council Dwellings                  | Land          | Buildings      | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | PP&E Under Construction | Surplus Assets | Total PP&E      |
|  | £000                               | £000          | £000           | £000                        | £000                  | £000             | £000                    | £000           | £000            |
| <b>Balance as at 1 April 2020</b>  | <b>296,552</b>                     | <b>9,939</b>  | <b>31,838</b>  | <b>13,700</b>               | <b>5,046</b>          | <b>1,378</b>     | <b>540</b>              | <b>2,286</b>   | <b>361,279</b>  |
| Adjustments re prior years   |                                    |               |                |                             |                       |                  |                         |                | 0               |
| <b>Adjusted opening balance</b>  | <b>296,552</b>                     | <b>9,939</b>  | <b>31,838</b>  | <b>13,700</b>               | <b>5,046</b>          | <b>1,378</b>     | <b>540</b>              | <b>2,286</b>   | <b>361,279</b>  |
| Additions (Note 35)  | 5,427                              | 0             | 4,110          | 718                         | 37                    | 537              | 64                      |                | 10,893          |
| Revaluation increases/decreases to Revaluation Reserve   | 13,859                             | 573           | 1,933          | 0                           | 0                     | 0                | 0                       | 0              | 16,365          |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services               | 0                                  | 0             | (168)          | 0                           | 0                     | 0                | 0                       | 0              | (168)           |
| Derecognition - Disposals  | (1,747)                            | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | (1,747)         |
| Reclassifications & Transfers  | 0                                  | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| Reclassified to/from Held for Sale   | 0                                  | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| Other movements  | 0                                  | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| <b>Balance as at 31 March 2021</b>   | <b>314,091</b>                     | <b>10,512</b> | <b>37,713</b>  | <b>14,418</b>               | <b>5,083</b>          | <b>1,915</b>     | <b>604</b>              | <b>2,286</b>   | <b>386,622</b>  |
| <b>Depreciation and Impairment</b>   |                                    |               |                |                             |                       |                  |                         |                |                 |
| <b>Balance as at 1 April 2020</b>  | <b>0</b>                           | <b>0</b>      | <b>(807)</b>   | <b>(9,625)</b>              | <b>(1,018)</b>        | <b>0</b>         | <b>0</b>                | <b>0</b>       | <b>(11,450)</b> |
| Depreciation Charge  | (5,579)                            | 0             | (1,295)        | (727)                       | (143)                 | 0                | 0                       | 0              | (7,744)         |
| Depreciation written out on Revaluation Reserve  | 5,579                              | 0             | 531            | 0                           | 0                     | 0                | 0                       | 0              | 6,110           |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 0                                  | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| Derecognition - Disposals  | 0                                  | 0             | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| <b>Balance as at 31 March 2021</b>   | <b>0</b>                           | <b>0</b>      | <b>(1,571)</b> | <b>(10,352)</b>             | <b>(1,161)</b>        | <b>0</b>         | <b>0</b>                | <b>0</b>       | <b>(13,084)</b> |
| <b>Net Book Value</b>  |                                    |               |                |                             |                       |                  |                         |                |                 |
| <b>Balance as at 31 March 2021</b>   | <b>314,091</b>                     | <b>10,512</b> | <b>36,142</b>  | <b>4,066</b>                | <b>3,922</b>          | <b>1,915</b>     | <b>604</b>              | <b>2,286</b>   | <b>373,538</b>  |
| <b>Balance as at 1 April 2020</b>  | <b>296,552</b>                     | <b>9,939</b>  | <b>31,031</b>  | <b>4,075</b>                | <b>4,028</b>          | <b>1,378</b>     | <b>540</b>              | <b>2,286</b>   | <b>349,829</b>  |

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2020

## Note 14 a Comparative Year

|  | Property, Plant & Equipment (PP&E) |              |                |                             |                       |                  |                         |                |                 |
|--|------------------------------------|--------------|----------------|-----------------------------|-----------------------|------------------|-------------------------|----------------|-----------------|
|  | Council Dwellings                  | Land         | Buildings      | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | PP&E Under Construction | Surplus Assets | Total PP&E      |
|  | £000                               | £000         | £000           | £000                        | £000                  | £000             | £000                    | £000           | £000            |
| <b>Balance as at 1 April 2019</b>  | <b>279,519</b>                     | <b>9,274</b> | <b>37,458</b>  | <b>13,516</b>               | <b>4,788</b>          | <b>1,378</b>     | <b>135</b>              | <b>1,750</b>   | <b>347,818</b>  |
| Adjustments re prior year  |                                    | (215)        | 215            |                             |                       |                  |                         |                | 0               |
| <b>Balance as at 1 April 2019</b>  | <b>279,519</b>                     | <b>9,059</b> | <b>37,673</b>  | <b>13,516</b>               | <b>4,788</b>          | <b>1,378</b>     | <b>135</b>              | <b>1,750</b>   | <b>347,818</b>  |
| Additions (Note 35)  | 7,271                              | 260          | 854            | 184                         | 258                   |                  | 405                     |                | 9,232           |
| Donations  |                                    |              |                |                             |                       |                  |                         |                | 0               |
| Revaluation increases/decreases to Revaluation Reserve   | 13,114                             | 648          | (6,344)        | 0                           | 0                     | 0                | 0                       | 536            | 7,954           |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services               | 80                                 | (28)         | (345)          | 0                           | 0                     | 0                | 0                       | 0              | (293)           |
| Derecognition - Disposals  | (3,432)                            | 0            | 0              | 0                           | 0                     | 0                | 0                       | 0              | (3,432)         |
| Reclassifications & Transfers  | 0                                  | 0            | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| <b>Balance as at 31 March 2020</b>   | <b>296,552</b>                     | <b>9,939</b> | <b>31,838</b>  | <b>13,700</b>               | <b>5,046</b>          | <b>1,378</b>     | <b>540</b>              | <b>2,286</b>   | <b>361,279</b>  |
| <b>Depreciation and Impairment</b>   |                                    |              |                |                             |                       |                  |                         |                |                 |
| <b>Balance as at 1 April 2019</b>  | <b>0</b>                           | <b>0</b>     | <b>(1,008)</b> | <b>(8,699)</b>              | <b>(876)</b>          | <b>0</b>         | <b>0</b>                | <b>0</b>       | <b>(10,583)</b> |
| Adjustments relating to 2018-19  | 0                                  | 0            |                |                             |                       | 0                | 0                       | 0              | 0               |
| <b>Adjusted opening balance</b>  | <b>0</b>                           | <b>0</b>     | <b>(1,008)</b> | <b>(8,699)</b>              | <b>(876)</b>          | <b>0</b>         | <b>0</b>                | <b>0</b>       | <b>(10,583)</b> |
| Depreciation Charge  | (5,596)                            | 0            | (1,341)        | (926)                       | (142)                 | 0                | 0                       | 0              | (8,005)         |
| Depreciation written out on Revaluation Reserve  | 5,596                              | 0            | 1,542          | 0                           | 0                     | 0                | 0                       | 0              | 7,138           |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 0                                  | 0            | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| Derecognition - Disposals  | 0                                  | 0            | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| Reclassifications & Transfers  | 0                                  | 0            | 0              | 0                           | 0                     | 0                | 0                       | 0              | 0               |
| <b>Balance as at 31 March 2020</b>   | <b>0</b>                           | <b>0</b>     | <b>(807)</b>   | <b>(9,625)</b>              | <b>(1,018)</b>        | <b>0</b>         | <b>0</b>                | <b>0</b>       | <b>(11,450)</b> |
| <b>Net Book Value</b>  |                                    |              |                |                             |                       |                  |                         |                |                 |
| <b>Balance as at 31 March 2020</b>   | <b>296,552</b>                     | <b>9,939</b> | <b>31,031</b>  | <b>4,075</b>                | <b>4,028</b>          | <b>1,378</b>     | <b>540</b>              | <b>2,286</b>   | <b>349,829</b>  |
| <b>Balance as at 31 March 2019</b>   | <b>279,519</b>                     | <b>9,274</b> | <b>36,450</b>  | <b>4,817</b>                | <b>3,912</b>          | <b>1,378</b>     | <b>135</b>              | <b>1,750</b>   | <b>337,235</b>  |

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 15 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £24k (£101k 2019/20) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service.

All software is assigned a useful life of 7 years.

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

|   | 2020/21      |              | 2019/20      |            |
|---|--------------|--------------|--------------|------------|
|   | Other Assets | Total        | Other Assets | Total      |
|   | £000         | £000         | £000         | £000       |
| <b>Balance at start of year:</b>            |              |              |              |            |
| · Gross carrying amounts                    | 2,356        | 2,356        | 1,776        | 1,776      |
| · Accumulated amortisation                  | (1,704)      | (1,704)      | (1,603)      | (1,603)    |
| <b>Net carrying amount at start of year</b> | <b>652</b>   | <b>652</b>   | <b>173</b>   | <b>173</b> |
| Additions:                                  |              |              |              |            |
| · Purchases                                 | 1,027        | 1,027        | 580          | 580        |
| <b>Net carrying amount after additions</b>  | <b>1,679</b> | <b>1,679</b> | <b>753</b>   | <b>753</b> |
| Amortisation for the period                 | (24)         | (24)         | (101)        | (101)      |
| <b>Net carrying amount at end of year</b>   | <b>1,655</b> | <b>1,655</b> | <b>652</b>   | <b>652</b> |
| Comprising:                                 |              |              |              |            |
| · Gross carrying amounts                    | 3,383        | 3,383        | 2,356        | 2,356      |
| · Accumulated amortisation                  | (1,728)      | (1,728)      | (1,704)      | (1,704)    |
| <b>Net carrying amount at end of year</b>   | <b>1,655</b> | <b>1,655</b> | <b>652</b>   | <b>652</b> |

Of the £1,090k recognised under purchases this is the purchase of the housing and finance systems. The Housing System is currently being implemented and will not be charged amortisation until the projects is complete.

# Redditch Borough Council

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

### Note 30 Members' Allowances

During the year Members allowances, including employer's costs totalled £230k (2019/20 £226k) and are as follows:

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

### Note 31 External Audit Costs

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

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

# Redditch Borough Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2021

## Note 32 Employees Remuneration

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

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

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

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

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

### Senior Employees' Remuneration

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

#### Redditch Borough Council

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

#### Bromsgrove District Council

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

### Exit Packages

The Council had a number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (including special payments)  | Number of compulsory redundancies |         | Number of other departures agreed |         | Total number of exit packages by cost band |         | Total cost of exit packages in each band |               |
|--|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------------|
|  | 2019/20                           | 2020/21 | 2019/20                           | 2020/21 | 2019/20                                    | 2020/21 | 2019/20                                  | 2020/21       |
| £0-£20,000   | 0                                 | 0       | 10                                | 7       | 10   | 7       | 59,104                                   | 25,440        |
| £20,001 - £40,000  | 0                                 | 0       | 2                                 | 1       | 2  | 1       | 63,446                                   | 20,465        |
| £40,001 - £60,000  | 0                                 | 0       | 2                                 | 0       | 2  | 0       | 86,809                                   | 0             |
| £60,001 - £80,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £80,001 - £100,000   | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £100,001 - £150,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £150,000 - £200,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £200,000 - £250,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| <b>Total cost included in bandings</b>   |                                   |         |                                   |         |  |         | <b>209,359</b>                           | <b>45,905</b> |
| Recharge to Bromsgrove District Council  |                                   |         |                                   |         |  |         | 0  | 0             |
| <b>Cost to Redditch Borough Council</b>  |                                   |         |                                   |         |  |         | <b>209,359</b>                           | <b>45,905</b> |
| Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council |                                   |         |                                   |         |  |         | 19,623                                   | 0             |
| <b>Total cost included in the CIES</b>   |                                   |         |                                   |         |  |         | <b>228,982</b>                           | <b>45,905</b> |



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 33 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20

| Credited to Taxation and Non-Specific Grant Income | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Revenue Support Grant                              | 0               | 0               |
| New Homes Bonus                                    | (926)           | (754)           |
| S31  | (1,272)         | 0               |
| Other Government Grants                            | (7)             | (122)           |
| Capital Grants                                     | 0               | (1,123)         |
| <b>Total</b>                                       | <b>(2,205)</b>  | <b>(1,999)</b>  |

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

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

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

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

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 35 Capital Expenditure and Capital Financing

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

| <b>Capital Expenditure and Capital Financing</b>  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>140,578</b>          | <b>139,589</b>          |
| <b>Capital Investment</b>   |                         |                         |
| Property, Plant and Equipment   | 10,893                  | 9,232                   |
| Intangible Assets   | 1,027                   | 580                     |
| Heritage Assets   | 0                       | 0                       |
| Long Term Debtors   | 38                      | 38                      |
| Revenue Expenditure Funded from Capital under Statute                                     | 470                     | 715                     |
| <b>Total Capital investments</b>  | <b>12,428</b>           | <b>10,565</b>           |
|   |                         |                         |
| <b>Sources of finance</b>   |                         |                         |
| Capital receipts  | (452)                   | (2,744)                 |
| Government grants and other contributions   | (874)                   | (874)                   |
| Major Repairs Allowance   | (2,532)                 | (2,194)                 |
| <b>Sums set aside from revenue:</b>   |                         |                         |
| Direct revenue contributions:   |                         |                         |
| General Fund  | 0                       | 0                       |
| HRA   | (2,913)                 | (2,913)                 |
| Minimum Revenue Provision   | (851)                   | (851)                   |
| <b>Total Sources of Finance</b>   | <b>(7,622)</b>          | <b>(9,576)</b>          |
|   |                         |                         |
| Long Term Debtors previously financed through CFR   | 0                       | 0                       |
| <b>Closing Capital Finance Requirement</b>  | <b>145,384</b>          | <b>140,578</b>          |
|   |                         |                         |
| <b>Explanation of movements in year</b>   |                         |                         |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 4,806                   | 989                     |
| <b>Increase/(decrease) in Capital Financing Requirement</b>                               | <b>4,806</b>            | <b>989</b>              |

# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### Note 37 Defined Benefit Pension Schemes

#### Retirement Benefits

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

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

The Authority participates in two post-employment schemes:

- \* The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- \* Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- \* The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of 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 (i.e. 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 |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2020/21<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000        | 2019/20<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                 |                 |                        |                 |
| <i>Cost of services:</i>   |                                 |                 |                        |                 |
| <i>Service cost comprising:</i>  |                                 |                 |                        |                 |
| Current service cost   | 3,123                           | 3,217           | 0                      | 0               |
| Past service cost and Curtailments   | 20                              | 732             | 0                      | 0               |
| (Gain)/loss from settlements   | 0                               | 0               | 0                      | 0               |
| <b>Financing and Investment Income and Expenditure:</b>  |                                 |                 |                        |                 |
| Net Interest expense   | 1,484                           | 1,643           | 74                     | 91              |
| <b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b> | <b>4,627</b>                    | <b>5,592</b>    | <b>74</b>              | <b>91</b>       |

| <b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>       |              |                |            |              |
|---|--------------|----------------|------------|--------------|
| Remeasurement of the net defined benefit liability comprising:  |              |                |            |              |
| Return on plan assets (excluding the amount included in the net interest expense)                         | (21,414)     | 8,110          | 0          | 0            |
| Actuarial (gains) and losses arising on changes in demographic assumptions                                | 0            | (5,331)        | 0          | (94)         |
| Actuarial (gains) and losses arising on changes in financial assumptions                                  | 25,946       | (3,165)        | 327        | (41)         |
| Actuarial (gains)/losses from experience  | (3,766)      | (3,589)        | (75)       | (318)        |
| Other   | 39           | 37             | 0          | 0            |
| <b>Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>805</b>   | <b>(3,938)</b> | <b>252</b> | <b>(453)</b> |
|   |              |                |            |              |
| <b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>       | <b>5,432</b> | <b>1,654</b>   | <b>326</b> | <b>(362)</b> |

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

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

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

|  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2020/21<br>£000                 | 2019/20<br>£000 | 2020/21<br>£000        | 2019/20<br>£000 |
| Present value of the defined obligation                          | (192,948)                       | (168,638)       | (3,294)                | (3,237)         |
| Fair value of plan assets  | 119,745                         | 97,781          | 0                      | 0               |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(73,203)</b>                 | <b>(70,857)</b> | <b>(3,294)</b>         | <b>(3,237)</b>  |

| Net Liability and Pension Strain                                 | Local Government Pension |                 |
|--|--------------------------|-----------------|
|  | 2020/21<br>£000          | 2019/20<br>£000 |
| Local Government Pension Scheme                                  | (73,203)                 | (70,857)        |
| Discretionary Benefits   | (3,294)                  | (3,237)         |
| <b>Sub-total</b>   | <b>(76,497)</b>          | <b>(74,094)</b> |
| Advance Payment of Pension Contributions                         | 4,185                    | 0               |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(72,312)</b>          | <b>(74,094)</b> |

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

In April 2017 the Council made an advance payment of pension contributions 2017/18 to 2019/20 to the Pension Fund in order to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31st March 2019 the Pension Liability is £3,642k lower than the Pension Reserve representing the advance payment relating 2019/20. An advance payment for the financial years 2020/21 to 2022/23 was made on 30th April 2020, after the financial year end, and therefore there is no adjustment required for the year ended 31st March 2020.

It is anticipated that the future value of Pension Fund investments may be exposed to increased market volatility as a result of COVID-19 and this may impact on the value of the fund in the short to medium term; however it is not possible to reliably estimate the financial impact of this on the position and performance of the fund in future periods.

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

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

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

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

**Local government pension scheme assets comprised:**

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

All scheme assets have quoted prices in active markets

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

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

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

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below 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<br>£000                         | Decrease in assumption<br>£000 |
| Longevity (increase or decrease in one year)                    | 6,004  | (6,004)                        |
| Rate of inflation (increase or decrease by 0.1%)                | 3,109  | (3,109)                        |
| Rate of increase in salaries (increase or decrease by 0.1%)     | 252  | (252)                          |
| Rate for discounting liabilities (increase or decrease by 0.1%) | (3,061)  | 3,061                          |

### Impact on the Authority's cash flows

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

The scheme takes account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 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 weighted average duration of the defined benefit obligation for scheme members is 18 years, 2018/19 (17 years 2017/18).

In April 2020 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2020/21-2022/23 and 90% of the expected pension contributions for current employees for the same period. The total payment was £4,559k compared with a cost of £4,965k if the payments had been made monthly. The estimated savings are £257k over the 3 years.



# Redditch Borough Council

## Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2021

### **Note 38**      **Contingent Liabilities**

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

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

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

### **Note 39**      **Contingent Assets**

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

There are no Contingent Assets as at 31 March 2021.

# Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2021

Housing Revenue Account for the year ended 31st March

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Expenditure</b>   |                 |                 |
| Repairs & Maintenance  | (4,684)         | (6,275)         |
| Supervision & Management   | (6,979)         | (8,292)         |
| Rents, Rates, Taxes and other charges  | (61)            | (172)           |
| Depreciation, impairments and revaluation losses of non-current assets   | (5,859)         | (5,938)         |
| Debt Management Costs  | (9)             | (9)             |
| Movement in the allowance for bad debts  | (184)           | (88)            |
| <b>Total Expenditure</b>   | <b>(17,776)</b> | <b>(20,774)</b> |
| <b>Income</b>  |                 |                 |
| Dwelling rents   | 22,931          | 22,983          |
| Non-dwelling rents   | 541             | 541             |
| Charges for services and facilities  | 691             | 630             |
| Flexible Use of Capital Receipts   | 0               | 100             |
| Capitalisation of System Implementation Team   | 99              | 79              |
| Contributions towards Supported Housing  | 59              | 54              |
| <b>Total Income</b>  | <b>24,321</b>   | <b>24,387</b>   |
| <b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b> | <b>6,545</b>    | <b>3,613</b>    |
| HRA Services Share of Corporate & Democratic Core  | (650)           | (682)           |
| <b>Net Expenditure of HRA Services</b>   | <b>5,895</b>    | <b>2,931</b>    |
| Gains/(loss) on sale of HRA Fixed Assets   | 321             | 782             |
| Interest Payable and Similar Charges   | (4,175)         | (4,185)         |
| HRA Interest and Investment Income   | 3               | 143             |
| Net interest on the defined benefit liability (asset)  | (841)           | (975)           |
| <b>Surplus or (Deficit for Year) on HRA Services</b>   | <b>1,203</b>    | <b>(1,304)</b>  |

In 2018/19 there was a revaluation increase of £21,890k of housing revenue account Council dwellings. The remaining sum to fully reverse historic deficits was £4,546k and this was credited through the housing revenue income and expenditure account under the heading depreciation, impairments and revaluation losses of non current assets. Now that the revaluation losses have been fully recovered all revaluation increases are credited to the revaluation reserve.

# Redditch Borough Council

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the Housing Revenue Account

### Housing Stock

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

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

### Housing Revenue Account Capital Expenditure

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

### Rent Arrears

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

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

The rent arrears and prepayments exclude supporting people balances.

## Depreciation and Impairment of Non-Current Assets

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

## Transactions relating to retirement benefits

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

The Council participates in the Worcestershire Local Government Pension Fund administered by Worcestershire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

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

## Total Capital Receipts Generated during the year

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

# Redditch Borough Council

## Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2021

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.

| 2019/20         |                 |                 | Collection Fund  | 2020/21         |                 |                 |
|-----------------|-----------------|-----------------|--|-----------------|-----------------|-----------------|
| Business Rates  | Council Tax     | Total           |  | Business Rates  | Council Tax     | Total           |
| £000            | £000            | £000            |  | £000            | £000            | £000            |
|                 |                 |                 | <b>INCOME</b>  |                 |                 |                 |
|                 | (48,125)        | (48,125)        | Council Tax Receivable   |                 | (49,362)        | (49,362)        |
| (34,490)        |                 | (34,490)        | Business Rates Receivable  | (20,026)        |                 | (20,026)        |
| <b>(34,490)</b> | <b>(48,125)</b> | <b>(82,615)</b> | <b>Total amounts to be credited</b>  | <b>(20,026)</b> | <b>(49,362)</b> | <b>(69,388)</b> |
|                 |                 |                 |  |                 |                 |                 |
|                 |                 |                 | <b>EXPENDITURE</b>   |                 |                 |                 |
|                 |                 |                 | <b>Apportionment of Previous Year Surplus/Deficit</b>                        |                 |                 |                 |
| (3,869)         |                 | (3,869)         | Central Government   | 1,009           |                 | 1,009           |
| (3,095)         | 14              | (3,081)         | Redditch Borough Council   | 504             | 117             | 621             |
| (696)           | 74              | (622)           | Worcestershire County Council  | 1,237           | 616             | 1,853           |
| (77)            | 5               | (72)            | Hereford and Worcestershire Fire and Rescue                                  | 28              | 41              | 69              |
|                 | 12              | 12              | Police and Crime Commissioner for West Mercia                                |                 | 106             | 106             |
|                 |                 |                 | <b>Precepts, demands and shares</b>  |                 |                 |                 |
| 8,110           |                 | 8,110           | Central Government   | 16,722          |                 | 16,722          |
| 0               | 6,249           | 6,249           | Redditch Borough Council   | 13,378          | 6,425           | 19,803          |
| 24,006          | 32,901          | 56,907          | Worcestershire County Council  | 3,010           | 34,450          | 37,460          |
| 324             | 2,201           | 2,525           | Hereford and Worcestershire Fire and Rescue                                  | 334             | 2,260           | 2,594           |
|                 | 5,654           | 5,654           | Police and Crime Commissioner for West Mercia                                |                 | 5,917           | 5,917           |
|                 |                 |                 | <b>Charges to Collection Fund</b>  |                 |                 |                 |
| 0               | 0               | 0               | Write-offs of uncollectable amounts  | 0               | 0               | 0               |
| 254             | 576             | 830             | Increase/(decrease) in allowance for impairment                              | 671             | 692             | 1,363           |
| (3,222)         |                 | (3,222)         | Increase/(decrease) in allowance for appeals                                 | 3,822           |                 | 3,822           |
| 880             |                 | 880             | Transitional Protection Payments Payable                                     | 619             |                 | 619             |
|                 |                 |                 | <b>Charges to General Fund</b>   |                 |                 |                 |
| 106             |                 | 106             | Charge to General Fund for allowable collection costs for non-domestic rates | 106             |                 | 106             |
| <b>22,721</b>   | <b>47,686</b>   | <b>70,407</b>   | <b>Total amounts to be debited</b>   | <b>41,440</b>   | <b>50,624</b>   | <b>92,064</b>   |
| <b>(11,769)</b> | <b>(439)</b>    | <b>(12,208)</b> | <b>(Surplus) / deficit arising during the year</b>                           | <b>21,414</b>   | <b>1,262</b>    | <b>22,676</b>   |
| 6,478           | (32)            | 6,446           | (Surplus)/deficit b/f at 1 April   | (5,291)         | (471)           | (5,762)         |
| <b>(5,291)</b>  | <b>(471)</b>    | <b>(5,762)</b>  | <b>(Surplus)/deficit c/f at 31 March</b>                                     | <b>16,123</b>   | <b>791</b>      | <b>16,914</b>   |

# Redditch Borough Council

## Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2021

### 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 2021

| Band | Valuation band limits    |           | Calculated number of dwellings | Adjusted for discounts | Ratio to Band D | Equated number of dwellings | Council Tax Payable |
|------|--------------------------|-----------|--------------------------------|------------------------|-----------------|-----------------------------|---------------------|
|      | £                        | £         |                                |                        |                 |                             |                     |
|      |                          |           | 21                             | 14.86                  | 5/9             | 8.26                        | 135.64              |
| A    | Up to & including 40,000 |           | 7,655                          | 4,788.48               | 6/9             | 3,192.32                    | 162.77              |
| B    | 40,001                   | - 52,000  | 11,978                         | 9,534.08               | 7/9             | 7,415.40                    | 189.89              |
| C    | 52,001                   | - 68,000  | 7,668                          | 6,750.35               | 8/9             | 6,000.31                    | 217.02              |
| D    | 68,001                   | - 88,000  | 4,316                          | 3,939.55               | 9/9             | 3,939.55                    | 244.15              |
| E    | 88,001                   | - 120,000 | 3,289                          | 3,121.55               | 11/9            | 3,815.23                    | 298.41              |
| F    | 120,001                  | - 160,000 | 1,209                          | 1,151.42               | 13/9            | 1,663.16                    | 352.66              |
| G    | 160,001                  | - 320,000 | 468                            | 446.72                 | 15/9            | 744.53                      | 406.92              |
| H    | More Than 320,001        |           | 18                             | 17.00                  | 18/9            | 34.00                       | 488.30              |

Adjustment 0.98

**Council tax base 26,276.50**

#### FOR THE YEAR ENDED 31 MARCH 2020

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

Adjustment 0.99

**Council tax base 26,096.03**

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

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

### Note 2 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2020/21 the rate poundage was 51.2p (50.4p 2019/20). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value at 31 March 2020 was £81,399,320. For 2019/20 the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement.