



**DRAFT**  
**STATEMENT OF ACCOUNTS**  
**2022/23**



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# CONTENTS

## TABLE OF CONTENTS

|   | Page      |
|---|-----------|
| <b>Narrative Report</b>   |           |
| Introduction.....   | 1         |
| Our District.....   | 2         |
| Strategic Purpose.....  | 2         |
| National Position.....  | 3         |
| Organisational Performance.....   | 3         |
| Governance.....   | 4         |
| Reserves, Financial Performance and Financial Position.....                       | 4         |
| Explanation of the Accounting Statements.....                                     | 9         |
| <b>Statement of Responsibilities for the Statement of Accounts.....</b>           | <b>10</b> |
| <b>Comprehensive Income and Expenditure Account.....</b>                          | <b>11</b> |
| <b>Movement in Reserves Statement.....</b>  | <b>13</b> |
| <b>Balance Sheet.....</b>   | <b>14</b> |
| <b>Cashflow Statement.....</b>  | <b>16</b> |
| <b>Notes to the Comprehensive Income and Expenditure Statement</b>                |           |
| B1. Expenditure and Funding Analysis.....   | 18        |
| B2. Adjustments between Funding and Accounting Basis.....                         | 19        |
| B3. Expenditure and Income analysed by Nature.....                                | 19        |
| B4. Other Operating Income and Expenditure.....                                   | 21        |
| B5. Financing and Investment Income and Expenditure.....                          | 21        |
| B6. Taxation and Non-Specific Income.....   | 21        |
| B7. Members Allowances.....   | 21        |
| B8. External Audit Costs.....   | 22        |
| B9. Grant Income.....   | 22        |
| B10. Officer Remuneration.....  | 23        |
| B11. Termination Benefits.....  | 24        |
| <b>Notes to the Movement in Reserves Statement</b>                                |           |
| C1. Adjustments between Accounting Basis and Funding Basis Under Regulations..... | 25        |
| C2. Movements in Earmarked Reserves.....  | 26        |
| C3. Usable Reserves.....  | 26        |
| C4. Unusable Reserves.....  | 28        |
| <b>Notes to the Balance Sheet</b>   |           |
| D1. Property, Plant and Equipment.....  | 31        |
| D2. Investment Properties.....  | 34        |
| D3. Intangible Assets.....  | 34        |
| D4. Debtors.....  | 35        |
| D5. Creditors.....  | 35        |
| D6. Provisions.....   | 35        |
| D7. Capital Expenditure and Financing.....  | 35        |
| D8. Assets Held for Sale.....   | 37        |
| D9. Inventories.....  | 37        |
| <b>Additional Disclosures – Technical Notes</b>                                   |           |
| E1. Defined Benefit Pension Scheme.....   | 38        |
| E2. Financial Instruments.....  | 43        |
| E3. Nature and Extent of Risks arising from Financial Instruments.....            | 44        |
| E4. Leases.....   | 46        |
| E5. Accounting Policies.....  | 48        |
| E6. Critical Judgements in applying Accounting Policies.....                      | 60        |
| E7. Accounting Standards not yet adopted.....                                     | 60        |

# CONTENTS

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|   |   |           |
|---|---|-----------|
| E8.                                     | Assumptions made about the future and other major sources of estimation uncertainty.....  | 60        |
| E9.                                     | Related Parties.....  | 61        |
| E10.                                    | Events after the Balance Sheet date.....  | 62        |
| E11.                                    | Contingent Assets.....  | 62        |
| E12.                                    | Contingent Liabilities.....   | 62        |
| <b>Notes to the Cashflow Statement</b>  |   |           |
| F1.                                     | Cash and Cash Equivalents.....  | 63        |
| F2.                                     | Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements...   | 63        |
| F3.                                     | Adjustments for items included in the net surplus / (deficit) on the provision of services<br>that are investing or financing activities..... | 63        |
| F4.                                     | Investing Activities.....   | 63        |
| F5.                                     | Financing Activities.....   | 64        |
| <b>Housing Revenue Account</b>          |   |           |
| G1.                                     | Overview.....   | 65        |
| G2.                                     | Movement on the HRA Statement.....  | 66        |
| G3.                                     | Property, Plant and Equipment.....  | 68        |
| G4.                                     | Housing Stock.....  | 71        |
| G5.                                     | Housing Revenue Account Capital Expenditure.....  | 71        |
| G6.                                     | Rent Arrears.....   | 71        |
| G7.                                     | Depreciation and Impairment of Non-Current Assets.....  | 72        |
| G8.                                     | Retirement Benefits.....  | 72        |
| G9.                                     | Capital Receipts Generated.....   | 72        |
| <b>Collection Fund</b>                  |   |           |
| H1.                                     | The Collection Fund Statement.....  | 73        |
| H2.                                     | Council Tax Income.....   | 74        |
| H3.                                     | Non-Domestic Rates.....   | 75        |
| <b>Annual Governance Statement.....</b> |   | <b>76</b> |
| <b>Internal Auditor's Report.....</b>   |   | <b>80</b> |
| <b>Glossary.....</b>                    |   | <b>82</b> |

# NARRATIVE REPORT

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## 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 2022/23. 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 2023
- **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 (NDR) and its distribution to local government bodies and the government
- **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
- **Governance Statement** - The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively
- **Internal Auditors Report** – Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts
- **Glossary**

# NARRATIVE REPORT

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These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2022/23 (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.

## Our District

Redditch Borough Council sits within the West Midlands. It has a population of 84,000 over an area of 21 square miles. It has 41,000 homes and businesses and 29 Councillors over 12 Wards (the present boundary review will reduce this to nine wards and 27 Councillors in May 2024).

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.

Local Councillors are elected by the community to decide how the Council should carry out its various activities. Elections are held every year for three years, with up to 10 seats contested at a time with no election in fourth 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 manages 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 in need receive the appropriate help, support and opportunities."

## Strategic Purpose

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 to understand what goes on in our communities and have considered how we collaborate with partners to support the issues within those communities.

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



## 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.

## Financial Performance

The following items have had an impact on the 2022/23 Financial Statements.

## Organisational Performance

The Council implemented a new financial system on the 8 February 2021. This severely impacted the Council's ability to report financially during the 2021/22 financial year with the only reported financial monitoring being for Period 11. Because of this, and the impact this has had on the delivery of the 2020/21 accounts, in October 2022 the External Auditors issued a S24 Statement linked to the late delivery of the 2020/21 Accounts in November 2022 and the associated impact this had on the robustness of financial information. This S24 Statement was updated in October 2023 to include delivery of the audited 2020/21, 2021/22 and 2022/23 accounts. Since April 2022 the Council, with Bromsgrove, have been operating a financial recovery plan to rectify this situation. This has included the correction of the underlying issue in the financial system in November 2022. This is reflected in the Governance Statement.

# NARRATIVE REPORT

## 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.

## Reserves, Financial Performance and Financial Position

### Financial Outlook

The Medium-Term Financial Plan 2022/23 – 2024/25 was approved by Council on 22 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 three years. This has been exacerbated by the start of the move back to “normal working” in 2022/23 as we move out of the Covid-19 pandemic. In this period, we have seen the significant drops of income seen in previous years starting to be rebuilt and reduction in one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses due to the Covid-19 pandemic.

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

- £0.319m additional support for Rubicon in 2022/23.
- Ongoing investment in Rubicon buildings Repairs and Maintenance at £78k a year.
- Investment in ICT infrastructure and support at £101k a year.

The main source of income continues to be Council tax. The Chancellors’ November 2022 update still allows Councils to increase Council Tax by 2.99% or £5 per annum without a referendum. The medium-term financial plan assumes a further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a deficit in 2022/23 of £228k which then rises to deficits of £939k in 2023/24 and £833k in 2024/25. This impacts on General Fund reserves, reducing them by £2.292m to £228k. The Council needs to address this future year’s shortfall to avoid using general reserves to balance the budget. Indeed, if these deficits are not addressed then General Fund Reserves fall from a relatively low level of £2.3m to

## NARRATIVE REPORT

a dangerously low level of £0.228m by the 1 April 2025.

|  | 2022-23        | 2023-24       | 2024-25       |
|--|----------------|---------------|---------------|
|  | £000           | £000          | £000          |
| <b>Departmental base budget</b>              | 10,064         | 10,051        | 10,132        |
| Incremental Progression                      | 144            | 275           | 361           |
| Unavoidable Pressures                        | 427            | 140           | 134           |
| Revenue Bids/Revenue impact of capital bids  | 191            | 150           | 128           |
| Savings and Additional income                | -305           | -327          | -327          |
| Changes in Specific Grant/Funding Movements  | 0              | 0             | 0             |
| <b>Net Revenue Budget Requirement</b>        | <b>10,520</b>  | <b>10,289</b> | <b>10,428</b> |
| <b>FINANCING</b>                             |                |               |               |
| Reserve release                              | -100           | 0             | 0             |
| Lower Tier Services Grant                    | -100           | 0             | 0             |
| Business Rates Net Position                  | -2,985         | -2,985        | -2,985        |
| Council Tax                                  | -6,747         | -6,941        | -7,031        |
| Collection Fund Deficit (Council Tax)        | -180           | 0             |               |
| New Homes Bonus                              | -330           | 0             |               |
| Investment Income                            | -673           | -673          | -673          |
| MRP (Principal)                              | 959            | 1,098         | 1,046         |
| Interest payable                             | 218            | 220           | 218           |
| Discount on advanced pension payment         | -301           | -60           | -170          |
| <b>Funding Total</b>                         | <b>-10,238</b> | <b>-9,341</b> | <b>-9,595</b> |
| <b>General Balances</b>                      |                |               |               |
|  | 2022-23        | 2023-24       | 2024-25       |
|  | £000           | £000          | £000          |
| Estimated opening balances 22/23 (projected) | 2,292          | 2,010         | 1,061         |
| Contribution (from) / to General Balances    | -282           | -949          | -833          |
| <b>Closing Balances</b>                      | <b>2,010</b>   | <b>1,061</b>  | <b>228</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. Its key corporate risks at the end of the 2022/23 financial year classified as highest priority, as reported to this Committee were:

- Non-adherence with Statutory Inspection Policies
- Protection from Cyber Attack

Nine other "Corporate Risks" were classified as Amber.

The most significant financial risk the Council faces is the correction of issues with its new financial system, which went live on 8 February 2021, which forms the financial recovery process.

Internal Audit issued a report in June 2021 with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no



## NARRATIVE REPORT

assurance could be given. The Council acknowledged that there was a risk management system in place, and there were areas of good practice. However, this was not uniform across the Council. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils. Therefore, an action plan was put in place that:

- Set up a quarterly officer Risk Board, with representatives of each service area.
- That the 4Risk system (used for logging and mitigating risks) be fully updated and reviewed at these quarterly meetings.
- Ensured that the Corporate Management Team (CMT) and the Audit Committee, be updated by way of a quarterly report on progress and review the Council's Corporate and Departmental Risks.

### Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 18. This demonstrates to Council taxpayers 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 2022/23 is shown below:

|   | 2022/23<br>Full Year<br>Budget | 2022/23<br>Cross-<br>cutting<br>saving<br>allocation | 2022/23<br>Revised<br>Budget | 2022/23<br>Outturn | 2022/23<br>Variance |
|---|--------------------------------|--|------------------------------|--------------------|---------------------|
| Regulatory Client   | 391,190                        | 0  | 391,190                      | 380,672            | (10,518)            |
| Business<br>Transformation &<br>Organisational<br>Development | 1,794,085                      | (76,055)   | 1,718,030                    | 1,709,222          | (8,808)             |
| Chief Executive   | (1,934,525)                    | 0  | (1,934,525)                  | (1,990,002)        | (55,477)            |
| Community &<br>Housing GF<br>Services                         | 1,578,076                      | (154,853)  | 1,423,223                    | 2,167,417          | 744,194             |
| Environmental<br>Services                                     | 2,779,319                      | 0  | 2,779,319                    | 4,660,443          | 1,881,124           |
| Financial &<br>Customer Services                              | 1,905,007                      | (244,943)  | 1,660,064                    | (1,080,463)        | (2,740,527)         |
| Legal, Democratic &<br>Property Services                      | 2,238,105                      | (184,457)  | 2,053,648                    | 2,266,687          | 213,039             |
| Planning,<br>Regeneration &<br>Leisure Services               | 1,293,154                      | (83,106)   | 1,210,048                    | 1,475,185          | 265,137             |
| Cross cutting<br>savings and<br>efficiency targets            | (595,012)                      | 743,414  | 148,402                      | 0                  | (148,402)           |
| RBC Rubicon Client  | 1,070,604                      | 0  | 1,070,604                    | 1,098,205          | 27,601              |
| Starting Well   |                                |  |                              | 10,741             | 10,741              |
| <b>Grand Total</b>  | <b>10,520,000</b>              | <b>0</b>   | <b>10,520,000</b>            | <b>10,698,104</b>  | <b>178,104</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 and the Expenditure and Funding Analysis. 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 Expenditure and Funding Analysis.

# NARRATIVE REPORT

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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 – outturn position £9k underspend**

Within Business Transformation & Organisational Development the underspend is predominantly due to budget underspends within the ICT service which is offset in part with additional expenditure within Human Resources.

The overall overspend for the service is after the absorption of £76k cross cutting efficiency savings targets based upon forecast underspends within Human Resources at quarter 1 due to vacancies within the service.

Following the installation of a new HR software package, recruitment is underway to recruit to vacant posts within the service.

## **Chief Executive – outturn position £55k underspend**

Within the Chief Executive area, the £55k underspend position is as a result of underspends within corporate expenses budgets and an additional contribution from the HRA, which is offset in part due to the additional costs of the 2022/23 pay award across all services.

## **Community and Housing General Fund Services – outturn position £744k overspend**

Within Community and Housing General Fund Services the overspend is largely as a result of an overspend within Community Transport including Shopmobility. This overspend is as a result of a reduction in income for the service in addition to additional costs following the allocation of the pay award and fleet maintenance costs.

This overall overspend forecast is after the absorption of cross cutting efficiency savings targets totalling £155k based upon forecast underspends within Housing Options and Community Safety/CCTV at quarter 1 due to vacancies within the service.

## **Environmental Services – outturn position £1,881k overspend**

Within Environmental Services there are five reasons for the variation:

- Waste Management – The overspend is largely as a result of increased fuel and fleet maintenance costs, in addition to the cost of the pay award.
- Tree Management – The overspend in this service is as a result of insurance claims.
- Place Teams – The overspend in this service is due to increased fuel and fleet maintenance costs.
- Bereavement Services – The overspend is as a result of increased expenditure on materials, professional fees, and the additional costs following the allocation of the pay award.
- Income at lower than expected levels across a number of service areas, largely as a result of covid.

## **Financial & Customer Services - outturn position £2,740k underspend**

Within Finance & Customer Services there is an underspend relating to the application of covid grants. These have been offset by overspends relating to temporary staffing to support financial management, reduced court costs recovered and software costs. This is after the absorption of £245k cross cutting efficiency savings targets based upon forecast underspends at quarter 1.

## **Legal, Democratic and Property Services – outturn position £213k overspend**

Within Legal, Democratic and Property Services there is an overspend in the region of £213k, this is after the absorption of £184k cross cutting efficiency savings targets. Facilities Management absorbed all of this cross-cutting efficiency savings target, however that is now the area where an overspend is anticipated. Underspends within Legal Advice & Services have reduced the overspend in part.

# NARRATIVE REPORT

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## **Planning, Regeneration and Leisure Services – draft outturn position £265k overspend (Q3 £88k overspend)**

Within Planning, Regeneration and Leisure Services there is an overspend predominantly due to an anticipated overspend within Development Management due to costs of temporary support and professional fees. Planning fee income has been lower than anticipated. There are a number of underspends across other services within this area.

### **Cross cutting savings and efficiency targets**

Organisational efficiency targets totalling £595k were allocated to service areas based upon underspends as at Quarter 1; predominantly linked to vacancies. The allocation of the pay award for 2022/23, which was in excess of budgeted provision, in addition to increased costs linked to fuel and utilities has resulted in overspends across a number of areas that contributed towards the cross-cutting savings target at the start of the year.

### **Regulatory Client – outturn position £11k underspend**

The underspend for 2022/23 on the Regulatory Client is due to increased General Licencing and Taxi licensing income.

### **Rubicon Client – outturn position £28k overspend**

There is a minor overspend in Rubicon Client.

### **Reserves**

The position has resulted in the Council's General Fund position decreasing from an opening position of £11.525m to a closing balance of £8.924m. There was a small overspend of £0.178m and the balance relates to capital charges, depreciation and pension costs.

Earmarked reserves have increased from an opening position of £17.769m to a closing position of £17.818m.

### **Capital**

The outturn report set out that expenditure was £3.051m against capital budgets of £5.431m approved for the year. This is an £2.380m underspend. The Medium-Term Financial Plan (MTFP) already requested £3.292m be slipped to future years.

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

The Housing Revenue Account for 2022/23 is showing a surplus of £0.011m and this represents an actual contribution to HRA balances of £0.011m in comparison to the budget which was set at £0.069m contribution from HRA balances.

The major variances as follows:

- Repairs & Maintenance - Anticipated efficiency savings arising from improved work planning and timely delivery of works.
- Supervision & Management – The variance is predominantly due to vacant posts and reduced consultancy and professional fees.
- Provision for Bad Debts - Increase in arrears due to economic conditions prevailing.
- Depreciation & Impairment of Fixed Assets – Depreciation per dwelling was lower than expected.
- Interest Receivable - Increase in interest rate applied to HRA balances.

# NARRATIVE REPORT

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## Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

### The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment or reduce local taxation, and "unusable" which must be set aside for specific purposes. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movement in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase or decrease line shows the statutory general fund balance movements in the year following those adjustments.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2023.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long-term liabilities).

### The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money. Business Rates is distributed to Central Government, Worcestershire County Council and Redditch Borough Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner, Redditch Borough Council and the Town & Parish Councils within the Redditch district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

### The **Housing Revenue Account**

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## Statement of Responsibilities

### The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority. In this Authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

### The Chief Finance Officer's responsibilities

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

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

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

## CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2023

..... Date: .....

Director of Finance and Resources (Chief Finance Officer)

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit, Governance and Standards Committee.

..... Date: .....

Chair

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

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

|  | Notes | 2022/23       |                 |                 | 2021/22       |                 |                 |
|--|-------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
|  |       | £000          | £000            | £000            | £000          | £000            | £000            |
|  |       | Expenditure   | Income          | Net             | Expenditure   | Income          | Net             |
| Business Transformation and Organisational Development               |       | 2,128         | (454)           | 1,674           | 2,092         | (592)           | 1,500           |
| Community and Housing GF Services                                    |       | 5,153         | (2,715)         | 2,438           | 4,947         | (3,820)         | 1,127           |
| Corporate Services   |       | 1,444         | (5,078)         | (3,634)         | 1,611         | (6,034)         | (4,423)         |
| Environmental Services   |       | 6,809         | (2,476)         | 4,332           | 6,286         | (2,642)         | 3,644           |
| Financial and Customer Services*                                     |       | 18,566        | (5,165)         | 13,401          | 25,614        | (22,201)        | 3,413           |
| Housing Revenue Account  |       | 21,939        | (25,965)        | (4,026)         | 26,026        | (24,252)        | 1,773           |
| Legal, Democratic and Property Services                              |       | 3,945         | (1,307)         | 2,638           | 3,910         | (1,553)         | 2,357           |
| Planning, Regeneration and Leisure Services                          |       | 3,330         | (1,288)         | 2,042           | 3,368         | (2,488)         | 880             |
| Regulatory Client  |       | 634           | (253)           | 381             | 556           | (239)           | 317             |
| Rubicon Client   |       | 2,114         | (5)             | 2,108           | 1,788         | (40)            | 1,747           |
| Starting Well  |       | 766           | (842)           | (76)            | 663           | (790)           | (127)           |
|  |       | 0             | (2)             | (2)             | 0             | (2)             | (2)             |
| <b>Cost of Services</b>  |       | <b>66,827</b> | <b>(45,549)</b> | <b>21,278</b>   | <b>76,861</b> | <b>(64,653)</b> | <b>12,207</b>   |
| Other Operating Expenditure  | B4    | 18            | (515)           | (497)           | 45            | (1,406)         | (1,361)         |
| Financing and Investment Income and Expenditure                      | B5    | 9,283         | (4,607)         | 4,676           | 1,248         | (1,170)         | 78              |
| Taxation and Non-Specific Grant Income and Expenditure               | B6    | 11,364        | (33,180)        | (21,816)        | 12,998        | (27,129)        | (14,131)        |
| <b>(Surplus) or Deficit on Provision of Services</b>                 |       |               |                 | <b>3,640</b>    |               |                 | <b>(3,207)</b>  |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment | D1    |               |                 | (25,065)        |               |                 | (5,592)         |
| Remeasurement of the net defined benefit liability/(asset)           | E1    |               |                 | (4,025)         |               |                 | (5,826)         |
| <b>Other Comprehensive Income and Expenditure</b>                    |       |               |                 | <b>(29,090)</b> |               |                 | <b>(11,418)</b> |
| <b>Total Comprehensive Income and Expenditure</b>                    |       |               |                 | <b>(25,450)</b> |               |                 | <b>(14,625)</b> |

\* Includes Section 31 Grants

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

|  | Notes | 2022/23       |                 |                 | 2021/22       |                 |                 |
|--|-------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
|  |       | £000          | £000            | £000            | £000          | £000            | £000            |
|  |       | Expenditure   | Income          | Net             | Expenditure   | Income          | Net             |
| Business Transformation and Organisational Development               |       | 2,128         | (454)           | 1,674           | 2,116         | (592)           | 1,524           |
| Community and Housing GF Services                                    |       | 5,153         | (2,715)         | 2,438           | 4,947         | (3,820)         | 1,127           |
| Corporate Services   |       | 1,444         | (5,078)         | (3,634)         | 1,586         | (6,033)         | (4,447)         |
| Environmental Services   |       | 6,809         | (2,476)         | 4,332           | 6,286         | (2,642)         | 3,644           |
| Financial and Customer Services                                      |       | 18,566        | (5,165)         | 13,401          | 25,614        | (22,201)        | 3,413           |
| Housing Revenue Account  |       | 21,939        | (25,965)        | (4,026)         | 26,026        | (24,252)        | 1,773           |
| Legal, Democratic and Property Services                              |       | 3,945         | (1,307)         | 2,638           | 3,910         | (1,553)         | 2,357           |
| Planning, Regeneration and Leisure Services                          |       | 3,330         | (1,288)         | 2,042           | 3,368         | (2,488)         | 880             |
| Regulatory Client  |       | 634           | (253)           | 381             | 556           | (239)           | 317             |
| Rubicon Client   |       | 3,667         | (2,692)         | 974             | 4,211         | (4,034)         | 177             |
| Starting Well  |       | 766           | (842)           | (76)            | 663           | (790)           | (127)           |
| <b>Cost of Services</b>  |       | <b>68,380</b> | <b>(48,236)</b> | <b>20,144</b>   | <b>79,284</b> | <b>(68,647)</b> | <b>10,637</b>   |
| Other Operating Expenditure  | B4    | 18            | (515)           | (497)           | (1,222)       | (179)           | (1,401)         |
| Financing and Investment Income and Expenditure                      | B5    | 9,283         | (4,607)         | 4,676           | 1,248         | (1,170)         | 78              |
| Taxation and Non-Specific Grant Income and Expenditure               | B6    | 11,364        | (33,180)        | (21,816)        | 13,038        | (27,129)        | (14,091)        |
| <b>(Surplus) or Deficit on Provision of Services</b>                 |       |               |                 | <b>2,507</b>    |               |                 | <b>(4,777)</b>  |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment | D1    |               |                 | (25,065)        |               |                 | 0               |
| Remeasurement of the net defined benefit liability/(asset)           | E1    |               |                 | (4,025)         |               |                 | (5,826)         |
| <b>Other Comprehensive Income and Expenditure</b>                    |       |               |                 | <b>(29,090)</b> |               |                 | <b>(5,826)</b>  |
| <b>Total Comprehensive Income and Expenditure</b>                    |       |               |                 | <b>(26,583)</b> |               |                 | <b>(12,403)</b> |

# MOVEMENT IN RESERVES STATEMENT

## Movement in Reserves Statement for Council and Group for the year ended 31 March 2023

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

|  | General Fund Balance | Earmarked General Fund Reserves | Total General Fund Balance | HRA Balance  | Earmarked HRA Reserves | Total HRA Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves | Rubicon Leisure Limited | Total Group Reserves |
|--|----------------------|---------------------------------|----------------------------|--------------|------------------------|-------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|--------------------------|-------------------------|----------------------|
|  | £000                 | £000                            | £000                       | £000         | £000                   | £000              | £000                     | £000                  | £000                     | £000                  | £000                    | £000                     | £000                    | £000                 |
| <b>Balance as at 1 April 2021</b>                                      | <b>3,409</b>         | <b>16,303</b>                   | <b>19,711</b>              | <b>2,032</b> | <b>13,566</b>          | <b>15,598</b>     | <b>7,151</b>             | <b>12,693</b>         | <b>2,779</b>             | <b>57,932</b>         | <b>137,034</b>          | <b>195,094</b>           | <b>(181)</b>            | <b>194,913</b>       |
| <b><u>Movement in reserves during the year</u></b>                     |                      |                                 |                            |              |                        |                   |                          |                       |                          |                       |                         |                          |                         |                      |
| <b>Total Comprehensive Income and Expenditure</b>                      | 2,334                | 0                               | 2,334                      | 873          | 0                      | 873               | 0                        | 0                     | 0                        | 3,207                 | 11,418                  | 14,625                   | 4,777                   | 19,402               |
| Adjustments between accounting basis & funding basis under regulations | 8,538                | 0                               | 8,538                      | (1,857)      | 0                      | (1,857)           | 4,999                    | 701                   | 0                        | 12,381                | (12,381)                | 0                        | (4,777)                 | (4,777)              |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>    | <b>10,872</b>        | <b>0</b>                        | <b>10,872</b>              | <b>(984)</b> | <b>0</b>               | <b>(984)</b>      | <b>4,999</b>             | <b>701</b>            | <b>0</b>                 | <b>15,588</b>         | <b>(963)</b>            | <b>14,625</b>            | <b>0</b>                | <b>14,625</b>        |
| Transfers to or from earmarked reserves (Increase)/Decrease in Year    | (2,755)              | 1,466                           | (1,289)                    | 1,009        | (1,009)                | 0                 | 0                        | 0                     | 0                        | (1,289)               | 0                       | (1,289)                  | 1,289                   | 0                    |
| <b>Balance as at 31 March 2022</b>                                     | <b>11,525</b>        | <b>17,769</b>                   | <b>29,294</b>              | <b>2,058</b> | <b>12,556</b>          | <b>14,614</b>     | <b>12,150</b>            | <b>13,394</b>         | <b>2,779</b>             | <b>72,230</b>         | <b>136,071</b>          | <b>210,101</b>           | <b>1,108</b>            | <b>209,409</b>       |
| <b><u>Movement in reserves during the year</u></b>                     |                      |                                 |                            |              |                        |                   |                          |                       |                          |                       |                         |                          |                         |                      |
| <b>Total Comprehensive Income and Expenditure</b>                      | 3,321                | 0                               | 3,321                      | 319          | 0                      | 319               | 0                        | 0                     | 0                        | 3,640                 | 29,090                  | 32,730                   | 978                     | 33,708               |
| Adjustments between accounting basis & funding basis under regulations | (5,873)              | 0                               | (5,873)                    | (1,186)      | 0                      | (1,186)           | 1,888                    | (153)                 | 375                      | (4,949)               | 58,671                  | 53,722                   | 0                       | 53,722               |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>    | <b>(2,552)</b>       | <b>0</b>                        | <b>(2,552)</b>             | <b>(867)</b> | <b>0</b>               | <b>(867)</b>      | <b>1,888</b>             | <b>(153)</b>          | <b>375</b>               | <b>(1,310)</b>        | <b>87,761</b>           | <b>86,452</b>            | <b>978</b>              | <b>87,430</b>        |
| Transfers to or from earmarked reserves (Increase)/Decrease in Year    | (49)                 | 49                              | 0                          | 785          | (785)                  | 0                 | 0                        | 0                     | 0                        | 0                     | 0                       | 0                        | 0                       | 0                    |
| <b>Balance as at 31 March 2023</b>                                     | <b>8,924</b>         | <b>17,818</b>                   | <b>26,743</b>              | <b>1,976</b> | <b>11,771</b>          | <b>13,747</b>     | <b>14,038</b>            | <b>13,241</b>         | <b>3,154</b>             | <b>70,922</b>         | <b>223,832</b>          | <b>294,754</b>           | <b>2,086</b>            | <b>296,839</b>       |



# BALANCE SHEET

## Balance Sheet as at 31 March 2023

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

|                                    | Notes | 31st March 2023<br>£000 | 31st March 2022<br>£000 |
|------------------------------------|-------|-------------------------|-------------------------|
| Property, Plant & Equipment        | D1    | 382,004                 | 371,297                 |
| Investment Property                | D2    | 899                     | 897                     |
| Intangible Assets                  | D3    | 1,046                   | 884                     |
| Assets held for sale               | D8    | 906                     | 0                       |
| <b>Long Term Assets</b>            |       | <b>384,855</b>          | <b>373,078</b>          |
| Short Term Investments             | E2    | 41,850                  | 30,897                  |
| Inventories                        | D9    | 2,374                   | 731                     |
| Short Term Debtors                 | E2    | 13,265                  | 45,460                  |
| Cash and Cash Equivalents          | F1    | 15,620                  | 26,709                  |
| <b>Current Assets</b>              |       | <b>73,108</b>           | <b>103,797</b>          |
| Other Short Term Liabilities       | E2    | (9,000)                 | (27,852)                |
| Short Term Creditors               | E2    | (39,004)                | (47,185)                |
| Provisions                         | D6    | (1,798)                 | (987)                   |
| Revenue Grants received in advance |       | (3,759)                 | (14,690)                |
| <b>Current Liabilities</b>         |       | <b>(53,561)</b>         | <b>(90,714)</b>         |
| Long Term Borrowing                | E2    | (104,064)               | (104,064)               |
| Other Long Term Liabilities        | E2    | (2,791)                 | (69,777)                |
| Capital Grants received in advance |       | (2,793)                 | (4,019)                 |
| <b>Long Term Liabilities</b>       |       | <b>(109,648)</b>        | <b>(177,860)</b>        |
| <b>Net Assets</b>                  |       | <b>294,754</b>          | <b>208,301</b>          |
| Usable reserves                    | C3    | 70,922                  | 72,230                  |
| Unusable Reserves                  | C4    | 223,832                 | 136,071                 |
| <b>Total Reserves</b>              |       | <b>294,754</b>          | <b>208,301</b>          |

# BALANCE SHEET

## Group Balance Sheet as at 31 March 2023

|                                    | Notes | 31st March 2023<br>£000 | 31st March 2022<br>£000 |
|------------------------------------|-------|-------------------------|-------------------------|
| Property, Plant & Equipment        | D1    | 382,250                 | 371,594                 |
| Investment Property                | D2    | 899                     | 897                     |
| Intangible Assets                  | D3    | 1,046                   | 884                     |
| Long Term Debtors                  | D8    | 906                     | 128                     |
| <b>Long Term Assets</b>            |       | <b>385,101</b>          | <b>373,504</b>          |
| Short Term Investments             | E2    | 41,850                  | 30,897                  |
| Inventories                        | D9    | 2,393                   | 750                     |
| Short Term Debtors                 | E2    | 13,318                  | 44,010                  |
| Cash and Cash Equivalents          | F1    | 18,602                  | 27,652                  |
| <b>Current Assets</b>              |       | <b>76,163</b>           | <b>103,309</b>          |
| Short Term Borrowing               | E2    | (9,000)                 | (27,357)                |
| Short Term Creditors               | E2    | (40,220)                | (46,224)                |
| Provisions                         | D6    | (1,798)                 | (987)                   |
| Revenue Grants received in advance |       | (3,759)                 | (13,401)                |
| <b>Current Liabilities</b>         |       | <b>(54,778)</b>         | <b>(87,969)</b>         |
| Long Term Borrowing                | E2    | (2,791)                 | (104,064)               |
| Other Long Term Liabilities        | E2    | (2,793)                 | (69,777)                |
| Capital Grants received in advance |       | (104,064)               | (5,594)                 |
| <b>Long Term Liabilities</b>       |       | <b>(109,648)</b>        | <b>(179,435)</b>        |
| <b>Net Assets</b>                  |       | <b>296,838</b>          | <b>209,409</b>          |
| Usable reserves                    | C3    | 73,006                  | 73,338                  |
| Unusable Reserves                  | C4    | 223,832                 | 136,071                 |
| <b>Total Reserves</b>              |       | <b>296,838</b>          | <b>209,409</b>          |

The Group Balance Sheet reflect Rubicon unusable reserves of £2,086k. This is made up of PPE of £246k, £19k inventories, £53k short term debtors, £2.982k cash and cash equivalents and £1,216k short term creditors.

# CASH FLOW STATEMENT

## Cash Flow Statement at 31 March 2023

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

|   | Notes     | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------|-----------------|-----------------|
| <b>Net surplus or (deficit) on the provision of services</b>  |           | (3,640)         | 3,207           |
| Adjustment to surplus or deficit on the provision of services for non-cash movements  | <b>F2</b> | 44,610          | 20,524          |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <b>F3</b> | (5,654)         | (3,738)         |
| <b>Net cash flows from Operating Activities</b>   |           | <b>35,316</b>   | <b>19,993</b>   |
| <b>Investing Activities</b>   | <b>F4</b> | <b>(59,022)</b> | <b>(27,875)</b> |
| <b>Financing Activities</b>   | <b>F5</b> | <b>12,617</b>   | <b>27,852</b>   |
| <b>Net increase or (decrease) in cash and cash equivalents</b>  |           | <b>(11,089)</b> | <b>19,970</b>   |
| Cash and cash equivalents at the beginning of the reporting period  |           | 26,709          | 6,739           |
| <b>Cash Balance at End of Period</b>  |           | <b>15,620</b>   | <b>26,709</b>   |

# CASH FLOW STATEMENT

## Group Cash Flow Statement as at 31 March 2023

|   | Notes | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Net surplus or (deficit) on the provision of services</b>  |       | (20,433)        | 4,777           |
| Adjustment to surplus or deficit on the provision of services for non-cash movements  | F2    | 63,442          | 19,962          |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | F3    | (5,654)         | (3,738)         |
| <b>Net cash flows from Operating Activities</b>   |       | <b>37,355</b>   | <b>21,001</b>   |
| <b>Investing Activities</b>   | F4    | <b>(59,022)</b> | <b>(27,875)</b> |
| <b>Financing Activities</b>   | F5    | <b>12,617</b>   | <b>27,357</b>   |
| <b>Net increase or (decrease) in cash and cash equivalents</b>  |       | <b>(9,050)</b>  | <b>20,483</b>   |
| Cash and cash equivalents at the beginning of the reporting period  |       | 27,652          | 7,169           |
| <b>Cash Balance at End of Period</b>  |       | <b>18,602</b>   | <b>27,652</b>   |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B1. Expenditure and Funding Analysis

| Net Expenditure Chargeable to the General Fund | 2022/23  | Net Expenditure in the Comprehensive Income and Expenditure Statement | Strategic Purpose                                      | Net Expenditure Chargeable to the General Fund Balances | 2021/22  | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|---|--|---|--|---|
|  | Adjustments between the Funding and Accounting Basis |   |  |   | Adjustments between the Funding and Accounting Basis |   |
| £000   | £000   | £000  |  | £000  | £000   | £000  |
| 1,513  | (162)  | 1,674   | Business Transformation and Organisational Development | 1,524   | 0  | 1,524   |
| 1,779  | (658)  | 2,438   | Community and Housing GF Services                      | 951   | (176)  | 1,127   |
| (3,760)  | (127)  | (3,634)   | Corporate Services                                     | (5,244)   | (797)  | (4,447)   |
| 3,507  | (825)  | 4,332   | Environmental Services                                 | 3,507   | (137)  | 3,644   |
| 12,397   | (1,004)  | 13,401  | Financial and Customer Services                        | 2,660   | (754)  | 3,413   |
| (11,686)                                       | (7,659)  | (4,026)   | Housing Revenue Account                                | 714   | (1,060)  | 1,773   |
| 1,603  | (1,034)  | 2,638   | Legal, Democratic and Property Services                | (5,509)   | (7,866)  | 2,357   |
| 1,438  | (604)  | 2,042   | Planning, Regeneration and Leisure Services            | 102   | (778)  | 880   |
| 381  | 0  | 381   | Regulatory Client                                      | (233)   | (550)  | 317   |
| 917  | (1,191)  | 2,108   | Rubicon Client   | 1,104   | (644)  | 1,747   |
| (344)  | (268)  | (76)  | Starting Well  | (342)   | (215)  | (127)   |
| 7,745  | (13,533)   | 21,278  | <b>Net Cost of Services</b>                            | (768)   | (12,977)   | 12,209  |
| 4,522  | 22,159   | (17,638)  | Other Income and Expenditure                           | (15,414)  | 0  | (15,414)  |
| 12,267   | 8,626  | 3,640   | <b>Surplus or Deficit</b>                              | (16,182)  | (12,977)   | (3,207)   |

|         |  |          |
|---------|--|----------|
| (3,343) | Opening General Fund Balance                                   | 11,525   |
| 12,267  | Less/Plus Surplus or (Deficit) on General Fund Balance in Year | (16,182) |
| 8,924   | Closing General Fund Balance at 31 March                       | (3,343)  |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B2. Adjustments between Funding and Accounting Basis

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Statutory Adjustments | Other Differences | Total           |
|--|----------------------------------|---|-----------------------------|-------------------|-----------------|
|  | £000                             | £000                                    | £000                        | £000              | £000            |
| Business Transformation and Organisational Development   | (30)                             | (132)                                   | 0                           | 0                 | (162)           |
| Community and Housing GF Services  | (32)                             | (626)                                   | 0                           | 0                 | (658)           |
| Corporate Services   | 0                                | (127)                                   | 0                           | 0                 | (127)           |
| Environmental Services   | (788)                            | (37)                                    | 0                           | 0                 | (825)           |
| Financial and Customer Services  | 0                                | (1,004)                                 | 0                           | 0                 | (1,004)         |
| Housing Revenue Account  | (6,335)                          | (1,325)                                 | 0                           | 0                 | (7,659)         |
| Legal, Democratic and Property Services  | (705)                            | (330)                                   | 0                           | 0                 | (1,034)         |
| Planning, Regeneration and Leisure Services  | (358)                            | (246)                                   | 0                           | 0                 | (604)           |
| Regulatory Client  | 0                                | 0                                       | 0                           | 0                 | 0               |
| Rubicon Client   | (1,191)                          | 0                                       | 0                           | 0                 | (1,191)         |
| Starting Well  | (70)                             | (198)                                   | 0                           | 0                 | (268)           |
| <b>Net Cost of Services</b>  | <b>(9,508)</b>                   | <b>(4,025)</b>                          | <b>0</b>                    | <b>0</b>          | <b>(13,533)</b> |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | 0                                | 0                                       | 22,159                      | 0                 | 22,159          |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(9,508)</b>                   | <b>(4,025)</b>                          | <b>22,159</b>               | <b>0</b>          | <b>8,626</b>    |

## B3. Expenditure and Income Analysed by Nature

| Expenditure:                           | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Employee Benefits Expenses             | 13,623          | 16,984          |
| Other Expenditure                      | 59,230          | 57,303          |
| Depreciation, Amortisation, Impairment | 9,459           | 8,376           |
| Interest Payments                      | 6,426           | 5,421           |
| Precepts and Levies                    | 18              | 40              |

| Income:  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Fees, Charges and other service Income                           | (41,516)        | (42,994)        |
| Interest and Investment Income                                   | (2,787)         | (1,194)         |
| Income for Council tax, non-domestic rates, district rate income | (14,660)        | (20,488)        |
| Government grants and Contributions                              | (26,153)        | (26,656)        |

|  |              |                |
|--|--------------|----------------|
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>3,640</b> | <b>(3,207)</b> |
|--|--------------|----------------|

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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### Revenue from contracts with Service Recipients

The policy on fees and charges is that all services should be charged where it is appropriate to do so unless there are conflicting policies for legal reasons not to do so. The charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.

Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the service. Charges must be linked to both service and strategic objectives and be clearly understood.

The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood. Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services. Where appropriate, annual inflationary uplifts will be applied by the Council and approved through the budget setting process.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B4. Other Operating Income and Expenditure

|                         | 2022/23<br>£000 | 2021/22<br>£000 |
|-------------------------|-----------------|-----------------|
| Parish council precepts | 18              | 45              |
| Other                   | (515)           | (1,406)         |
| <b>Total</b>            | <b>(497)</b>    | <b>(1,361)</b>  |

## B5. Financing and Investment Income and Expenditure

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Interest payable and similar charges                      | 9,283           | 0               |
| Net interest on the net defined benefit liability (asset) | 0               | 720             |
| Interest receivable and similar income                    | (4,607)         | 0               |
| Other investment income                                   | 0               | (642)           |
| <b>Total</b>  | <b>4,676</b>    | <b>78</b>       |

## B6. Taxation and Non-Specific Grant Income and Expenditure

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| <b>Income</b>                             |                 |                 |
| Council Tax Income                        | (6,724)         | (6,465)         |
| Non Domestic Rates Income and Expenditure | 3,406           | (2,825)         |
| Non-ring-fenced government grants         | (17,170)        | (4,507)         |
| Capital Grants and Contributions          | (1,328)         | (334)           |
| <b>Total</b>                              | <b>(21,816)</b> | <b>(14,131)</b> |

## B7. Members Allowances

|                              | 2022/23<br>£000 | 2021/22<br>£000 |
|------------------------------|-----------------|-----------------|
| Basic Allowances             | 135             | 128             |
| Special Allowances           | 98              | 95              |
| Expenses Inc. Car Allowances | 1               | 4               |
| <b>Total</b>                 | <b>234</b>      | <b>227</b>      |



# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B8. 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.

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Fee Variations agreed for External Audit *  | 55              | -3              |
| Housing Benefit Audit (relates to previous years)**   | 1               | 0               |
| Housing Benefit Audit   | 33              | 29              |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 54              | 47              |
| <b>Total</b>  | <b>143</b>      | <b>73</b>       |

\* The fee variations agreed for External audit for 21-22 are in relation to previous years

\* The fee variations agreed for External audit for 22-23 are in relation to years 20-21, 21-22 & 22-23 for new system implementation & VFM

\*\* Please note the Housing Benefit Adj is in relation to previous years

## B9. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non-Specific Grant Income</b> | <b>£000</b>     | <b>£000</b>     |
| Revenue Support Grant                                     | 446             | (90)            |
| New Homes Bonus   | (330)           | (84)            |
| Section 31  | 10,587          | (1,320)         |
| Capital Grants  | (1,751)         | (1,407)         |
| Non ring-fenced Grant                                     | (1,541)         | 0               |
| <b>Total</b>  | <b>7,411</b>    | <b>(2,900)</b>  |

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Services</b>                   | <b>£000</b>     | <b>£000</b>     |
| MHCLG Local Council Tax Support Admin Subsidy | (97)            | 0               |
| MHCLG New Burdens                             | (113)           | (231)           |
| MHCLG NNDR Cost of Collection                 | (40)            | (191)           |
| MHCLG Homelessness Grants                     | 373             | (539)           |
| MHCLG COVID 19                                | 0               | (2,872)         |
| DWP Admin Grant                               | (231)           | (223)           |
| DWP Discretionary Housing                     | (402)           | (124)           |
| DWP Housing Benefit Subsidy                   | (13,408)        | (9,530)         |
| MHCLG Covid-19 Emergency Grant                | 0               | (532)           |
| Other grants                                  | 0               | (954)           |
| <b>Total</b>                                  | <b>(13,918)</b> | <b>(15,196)</b> |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B10. Officer 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.

|  |         | Salary,<br>Fees and<br>Allowances<br>£ | Pension<br>Contribution<br>£ | Total<br>£ | 50% share<br>to Redditch<br>£      | Revised<br>Total |
|--|---------|--|------------------------------|------------|------------------------------------|------------------|
| Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):     |         |  |                              |            |                                    |                  |
| Chief Executive -<br>Kevin Dicks   | 2022/23 | 162,497                                | 25,463                       | 187,960    | 93,980                             | <b>93,980</b>    |
|  | 2021/22 | 159,379                                | 25,120                       | 184,499    | 92,249                             | <b>92,249</b>    |
| Executive Director<br>of Finance &<br>Resources up to<br>6th July 2022                             | 2022/23 | 31,488                                 | 4,942                        | 36,430     | 18,215                             | <b>18,215</b>    |
|  | 2021/22 | 117,623                                | 18,589                       | 136,211    | 68,106                             | <b>68,106</b>    |
| Executive Director<br>of Finance &<br>Resources 7th<br>July to 31st March<br>2023                  | 2022/23 | 116,958                                | -                            | 116,958    | 58,479                             | <b>58,479</b>    |
|  | 2021/22 | -                                      | -                            | -          | -                                  | -                |
| Head Of Legal &<br>Democratic<br>Services  | 2022/23 | 99,785                                 | 15,716                       | 115,501    | 57,751                             | <b>57,751</b>    |
|  | 2021/22 | 97,066                                 | 15,373                       | 112,439    | 56,220                             | <b>56,220</b>    |
| Total  | 2022/23 | 410,728                                | 46,121                       | 456,849    | 228,425                            | <b>228,425</b>   |
|  | 2021/22 | 374,067                                | 59,082                       | 433,150    | 216,575                            | <b>216,575</b>   |
| Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):     |         |  |                              |            |                                    |                  |
|  |         | Salary,<br>Fees and<br>Allowances<br>£ | Pension<br>Contribution<br>£ | Total<br>£ | 50% share<br>to<br>Bromsgrove<br>£ | Total            |
| Deputy Chief<br>Executive and<br>Executive Director<br>of Leisure,<br>Environmental &<br>Community | 2022/23 | 130,171                                | 21,357                       | 151,529    | 75,764                             | <b>75,764</b>    |
|  | 2021/22 | 127,259                                | 20,999                       | 148,258    | 74,129                             | <b>74,129</b>    |
| Total  | 2022/23 | 130,171                                | 21,357                       | 151,529    | 75,764                             | <b>75,764</b>    |
|  | 2021/22 | 127,259                                | 20,999                       | 148,258    | 74,129                             | <b>74,129</b>    |

## 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:

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Redditch Borough Council

|                      | 2022/23   | 2021/22   |
|----------------------|-----------|-----------|
| £50,001 to £55,000   | 2         | 3         |
| £55,001 to £60,000   | 5         | 10        |
| £60,001 to £65,000   | 10        | 5         |
| £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         | 2         |
| £85,001 to £90,000   | 5         | 4         |
| £90,001 to £95,000   | 0         | 1         |
| £95,001 to £100,000  | 1         | 0         |
| £100,001 to £105,000 | 0         | 1         |
| £105,001 to £110,000 | 1         | 0         |
| £110,001 to £115,000 | 0         | 1         |
| £115,001 to £120,000 | 0         | 0         |
| £120,001 to £125,000 | 0         | 0         |
| £125,001 to £130,000 | 0         | 0         |
| £130,001 to £135,000 | 0         | 0         |
| £135,001 to £140,000 | 1         | 1         |
| <b>Total</b>         | <b>25</b> | <b>28</b> |

### B11. Termination Benefits

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 following table:

| 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 |               |
|--|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------------|
|  | 2021/22                           | 2022/23 | 2021/22                           | 2022/23 | 2021/22                                    | 2022/23 | 2021/22                                  | 2022/23       |
| £0-£20,000   | 20                                | 0       | 4                                 | 2       | 24   | 2       | 224,335                                  | 33,708        |
| £20,001 - £40,000  | 1                                 | 0       | 0                                 | 0       | 1  | 0       | 22,342                                   | 0             |
| £40,001 - £60,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £60,001 - £80,000  | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| £80,001 - £100,000   | 0                                 | 0       | 0                                 | 0       | 0  | 0       | 0  | 0             |
| <b>Total cost included in bandings</b>   |                                   |         |                                   |         |  |         | <b>246,677</b>                           | <b>33,708</b> |
| <b>Cost to Redditch Borough Council</b>  |                                   |         |                                   |         |  |         | <b>246,677</b>                           | <b>33,708</b> |
| Exit Packages undertaken by Redditch Borough Council with a shared cost to Bromsgrove District Council |                                   |         |                                   |         |  |         | <b>0</b>                                 | <b>0</b>      |
| <b>Total cost included in the CIES</b>   |                                   |         |                                   |         |  |         | <b>246,677</b>                           | <b>33,708</b> |

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## C1. 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 IV 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.

| Usable Reserves   |                      |                         |                          |                       |                          |                               |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| Balance Sheet as at 31 March 2023   | 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)  | (3,792)              | 0                       | 0                        | 0                     | 0                        | 3,792                         |
| Council tax and NDR (transfers to or from the Collection Fund)  | (3,800)              | 0                       | 0                        | 0                     | 0                        | 3,800                         |
| Holiday pay (transferred to the Accumulated Absences reserve)   | (128)                | 0                       | 0                        | 0                     | 0                        | 128                           |
| 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)                          | 4,048                | 5,446                   | 0                        | 0                     | 0                        | (8,362)                       |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(3,672)</b>       | <b>5,446</b>            | <b>0</b>                 | <b>0</b>              | <b>0</b>                 | <b>(642)</b>                  |
| <b>Adjustments between Revenue and Capital Resources</b>  |                      |                         |                          |                       |                          |                               |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve  | (3,124)              | 0                       | 3,124                    | 0                     | 0                        | 0                             |
| Posting of HRA resource from revenue to the Major Repairs Reserve   | 0                    | (5,846)                 | 0                        | 5,846                 | 0                        | 0                             |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | 0                    | 0                       | 0                        | 0                     | 375                      | (375)                         |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)   | 2,251                | (785)                   | 0                        | 0                     | 0                        | (138)                         |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(873)</b>         | <b>(6,632)</b>          | <b>3,124</b>             | <b>5,846</b>          | <b>375</b>               | <b>(513)</b>                  |
| <b>Adjustments to Capital Resources</b>   |                      |                         |                          |                       |                          |                               |
| Use of the Capital Receipts Reserve to finance capital expenditure  | 0                    | 0                       | (1,236)                  | 0                     | 0                        | 1,236                         |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                    | 0                       | 0                        | (6,000)               | 0                        | 6,000                         |
| Application of capital grants to finance capital expenditure  | (1,328)              | 0                       | 0                        | 0                     | 0                        | 1,328                         |
| <b>Total Adjustments to Capital Resources</b>   | <b>(1,328)</b>       | <b>0</b>                | <b>(1,236)</b>           | <b>(6,000)</b>        | <b>0</b>                 | <b>8,563</b>                  |
| <b>Total Adjustments</b>  | <b>(5,873)</b>       | <b>(1,186)</b>          | <b>1,888</b>             | <b>(153)</b>          | <b>375</b>               | <b>7,408</b>                  |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C2. 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 2021/22 and 2022/23.

|                                 | Balance       | Transfers In | Transfers Out  | Balance       | Transfers In | Transfers Out  | Balance       |
|---------------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|
|                                 | 01-Apr-21     | 2021/22      | 2021/22        | 31-Mar-22     | 2022/23      | 2022/23        | 31-Mar-23     |
|                                 | £000          | £000         | £000           | £000          | £000         | £000           | £000          |
| <b>General Fund:</b>            |               |              |                |               |              |                |               |
| Business Rates Retention Scheme | 3,082         | 1,478        | 0              | 4,560         | 0            | 0              | 4,560         |
| Community Development           | 74            | 0            | 0              | 74            | 0            | 0              | 74            |
| Community Safety                | 353           | 507          | 0              | 860           | 0            | (649)          | 211           |
| Corporate Services              | 4,652         | 0            | 0              | 4,652         | 0            | 0              | 4,652         |
| Customer Services               | 93            | 0            | 0              | 93            | 90           | 0              | 183           |
| Economic Growth                 | 330           | 208          | 0              | 538           | 180          | 0              | 718           |
| Electoral Services              | 49            | 0            | 0              | 49            | 14           | 0              | 63            |
| Environmental Vehicles          | 29            | 0            | 0              | 29            | 0            | 0              | 29            |
| Equipment replacement           | 25            | 0            | 0              | 25            | 0            | 0              | 25            |
| Financial Services              | 87            | 72           | (10)           | 149           | 0            | 0              | 149           |
| General Risk reserve            | 45            | 0            | 0              | 45            | 0            | 0              | 45            |
| Housing Benefit Implementation  | 270           | 0            | 0              | 270           | 0            | 0              | 270           |
| Housing Support                 | 1,029         | 509          | (3)            | 1,535         | 0            | 0              | 1,535         |
| Land Charges                    | 9             | 0            | 0              | 9             | 0            | 0              | 9             |
| Land Drainage                   | 129           | 0            | 0              | 129           | 0            | 0              | 129           |
| Parks & Open spaces             | 8             | 0            | 0              | 8             | 0            | 0              | 8             |
| Planning Services               | 398           | 150          | (36)           | 512           | 180          | 0              | 692           |
| Sports Development              | 9             | 107          | (39)           | 77            | 0            | (95)           | (18)          |
| Town Centre                     | 7             | 0            | 0              | 7             | 0            | 0              | 7             |
| Warmer Homes                    | 16            | 0            | 0              | 16            | 0            | 0              | 16            |
| Transformational Growth         | 123           | 0            | 0              | 123           | 0            | 0              | 123           |
| Pensions                        | 201           | 0            | 0              | 201           | 0            | 0              | 201           |
| Regeneration Income             | 273           | 0            | 0              | 273           | 329          | 0              | 602           |
| Restart Grants                  | 0             | 0            | 0              | 0             | 2,900        | 0              | 2,900         |
| Covid-19 (General)              | 580           | 0            | 0              | 580           | 0            | 0              | 580           |
| Covid-19 (Collection Fund)      | 4,433         | 0            | (1,478)        | 2,955         | 0            | (2,900)        | 55            |
| <b>TOTALS</b>                   | <b>16,304</b> | <b>3,031</b> | <b>(1,566)</b> | <b>17,769</b> | <b>3,693</b> | <b>(3,644)</b> | <b>17,818</b> |
| <b>HRA</b>                      |               |              |                |               |              |                |               |
| Housing Capital                 | 13,564        | 0            | (1,009)        | 12,555        | 0            | (784)          | 11,771        |
| <b>Total HRA</b>                | <b>13,564</b> | <b>0</b>     | <b>(1,009)</b> | <b>12,555</b> | <b>0</b>     | <b>(786)</b>   | <b>11,771</b> |
| <b>Total Earmarked Reserves</b> | <b>29,868</b> | <b>3,031</b> | <b>(2,575)</b> | <b>30,324</b> | <b>3,693</b> | <b>(4,430)</b> | <b>29,589</b> |

### C3. Usable Reserves

|                              | 31/03/2023    | 31/03/2022    |
|------------------------------|---------------|---------------|
|                              | £000          | £000          |
| Capital Receipts Reserve     | 14,038        | 12,150        |
| Capital Grants Unapplied     | 3,154         | 2,779         |
| Major Repairs Reserve        | 13,241        | 13,394        |
| HRA Balances                 | 1,976         | 2,057         |
| HRA Earmarked Reserves       | 11,771        | 12,556        |
| General Fund Balances        | 8,924         | 11,526        |
| Earmarked Reserves           | 17,818        | 17,618        |
| <b>Total Usable Reserves</b> | <b>70,922</b> | <b>72,080</b> |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Capital Receipts Reserve

These are receipts from the sale of Council assets (all relating to the Housing Revenue Account), which have not yet been used to finance capital expenditure.

|                                     | 31/03/2023<br>£000 | 31/03/2022<br>£000 |
|-------------------------------------|--------------------|--------------------|
| <b>Balance 1 April</b>              | <b>12,150</b>      | <b>6,944</b>       |
| <b>Opening Balance Adjustment</b>   | <b>0</b>           | <b>207</b>         |
| Capital Receipts in year            | 3,124              | 6,064              |
| <b>Sub-Total</b>                    | <b>15,274</b>      | <b>13,215</b>      |
| <b>Less:</b>                        |                    |                    |
| Capital Receipts Pooled             | 0                  | 0                  |
| Capital Receipts used for financing | (1,236)            | (1,065)            |
| <b>Balance 31 March</b>             | <b>14,038</b>      | <b>12,150</b>      |

Since 1 April 2016, Local Authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the balance is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

### Capital Grants Unapplied

|  | 31/03/2023<br>£000 | 31/03/2022<br>£000 |
|--|--------------------|--------------------|
| <b>Balance on 1 April</b>  | <b>2,779</b>       | <b>2,779</b>       |
| Unapplied Capital Grants received in year                          | 375                | 0                  |
| Unapplied Capital Grants transferred to CAA in year on application | 0                  | 0                  |
| <b>Balance 31 March</b>  | <b>3,154</b>       | <b>2,779</b>       |

### Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £5.846m in year. The reserve was used to finance £6m of the Housing Investment Programme, decreasing the balance held in reserves from £13.394m to £13.240m.

|  | 31/03/2023<br>£000 | 31/03/2022<br>£000 |
|--|--------------------|--------------------|
| <b>Balance at 1 April</b>                                  | <b>13,394</b>      | <b>12,693</b>      |
| Depreciation   | 5,847              | 5,893              |
| Capital expenditure on HRA Land, Houses and Other Property | (6,000)            | (5,192)            |
| <b>Balance 31 March</b>                                    | <b>13,241</b>      | <b>13,394</b>      |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C4. Unusable Reserves

|                                    | 31/03/2023       | 31/03/2022       |
|------------------------------------|------------------|------------------|
|                                    | £000             | £000             |
| Revaluation Reserve                | (92,486)         | (67,232)         |
| Capital Adjustment Account         | (144,794)        | (148,230)        |
| Pensions Reserve                   | 8,617            | 78,488           |
| Collection Fund Adjustment Account | 4,575            | 775              |
| Accumulated Absences Account       | 256              | 128              |
| <b>Total Unusable Reserves</b>     | <b>(223,832)</b> | <b>(136,071)</b> |

#### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

|                                       | 31/03/2023      | 31/03/2022      |
|---------------------------------------|-----------------|-----------------|
|                                       | £000            | £000            |
| <b>Balance at 1 April</b>             | <b>(67,232)</b> | <b>(68,820)</b> |
| Upward revaluation of assets          | (25,254)        | 1,588           |
| Derecognition of Property disposed of | 0               | 0               |
| <b>Balance at 31 March</b>            | <b>(92,486)</b> | <b>(67,232)</b> |

#### Capital Adjustment Reserve

|  | 31/03/2023      | 31/03/2022     |
|--|-----------------|----------------|
|  | £000            | £000           |
| <b>Balance at 1 April</b>  | <b>148,230</b>  | <b>152,331</b> |
| <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      |                 |                |
| Charges for depreciation and impairment of non current assets  | (9,495)         | (2,483)        |
| Revenue expenditure funded from capital under statute  | (852)           | 0              |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,422)         | (4,450)        |
|  | <b>(12,769)</b> | <b>(6,933)</b> |
| Adjusting amounts written out of the Revaluation Reserve   | (1,083)         | 0              |
| <b>Net written out amount of the cost of non current assets consumed in the year</b>   | <b>(13,852)</b> | <b>(6,933)</b> |
| <b>Capital financing applied in the year:</b>  |                 |                |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

|   |                |                |
|---|----------------|----------------|
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 1,520          | 0              |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 6,501          | 0              |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 1,543          | 0              |
| Application of grants to capital financing from the Capital Grants Unapplied Account  | 0              | 1,498          |
| Capital expenditure charged against the General Fund  | 852            | 1,334          |
|   | <b>10,416</b>  | <b>2,832</b>   |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement            | 0              | 0              |
| Deferred Capital Receipts realised  | 0              | 0              |
| <b>Balance at 31 March</b>  | <b>144,794</b> | <b>148,230</b> |

### Pension Reserve

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

|  | 31/03/2023<br>£000 | 31/03/2022<br>£000 |
|--|--------------------|--------------------|
| <b>Balance at 1 April</b>  | <b>(78,488)</b>    | <b>(76,496)</b>    |
| Remeasurements of the net defined benefit liability/(asset)  | (3,304)            | 270                |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 69,871             | (5,872)            |
| Employers pensions contributions and direct payments to pensioners payable in the year   | 3,304              | 3,610              |
| <b>Balance at 31 March</b>   | <b>(8,617)</b>     | <b>(78,488)</b>    |

### Collection Fund Adjustment Account

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

|   | 31/03/2023<br>£000 | 31/03/2022<br>£000 |
|---|--------------------|--------------------|
| <b>Balance at 1 April</b>   | <b>(775)</b>       | <b>(7,553)</b>     |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (3,800)            | 6,778              |
| <b>Balance at 31 March</b>  | <b>(4,575)</b>     | <b>(775)</b>       |



## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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### Accumulated Absences Account

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

|   | 31/03/2023   | 31/03/2022   |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Balance at 1 April</b>   | <b>(128)</b> | <b>(127)</b> |
| Settlement or cancellation of accrual made at the end of the preceding year   | 128          | 127          |
| Amounts accrued at the end of the current year  | (256)        | (128)        |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0            | 0            |
| <b>Balance at 31 March</b>  | <b>(256)</b> | <b>(128)</b> |

## NOTES TO THE BALANCE SHEET

### D1. Property, Plant and Equipment Current Year

|  | Council Dwellings | Operational Land | Operational Building | Vehicles, Plant and Equipment | Infrastructure | Community assets | Assets under construction | Surplus Asset | Total PP&E     |
|--|-------------------|------------------|----------------------|-------------------------------|----------------|------------------|---------------------------|---------------|----------------|
|  | £000              | £000             | £000                 | £000                          | £000           | £000             | £000                      | £000          | £000           |
| <b>Cost or Valuation</b>   |                   |                  |                      |                               |                |                  |                           |               |                |
| <b>Balance as at 1 April 2022</b>  | <b>323,205</b>    | <b>10,251</b>    | <b>33,538</b>        | <b>13,881</b>                 | <b>5,076</b>   | <b>1,378</b>     | <b>3,588</b>              | <b>1,775</b>  | <b>392,692</b> |
| Additions  | 0                 | 0                | 11,737               | 48                            | 78             | 247              | 7,837                     | 0             | 19,947         |
| Revaluation increases/decreases to Revaluation Reserve   | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0              |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services               | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0              |
| Derecognition - Disposals  | -2,422            | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | -2,422         |
| Reclassifications & Transfers  | 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 2023</b>   | <b>320,783</b>    | <b>10,251</b>    | <b>45,275</b>        | <b>13,929</b>                 | <b>5,154</b>   | <b>1,625</b>     | <b>11,425</b>             | <b>1,775</b>  | <b>410,217</b> |
| <b>Depreciation and Impairment</b>   |                   |                  |                      |                               |                |                  |                           |               |                |
| <b>Balance as at 1 April 2022</b>  | <b>-5,603</b>     | <b>0</b>         | <b>-3,469</b>        | <b>-11,068</b>                | <b>-1,306</b>  | <b>0</b>         | <b>0</b>                  | <b>0</b>      | <b>-21,446</b> |
| Depreciation Charge  | -122              | 0                | -2,353               | -760                          | -139           | 0                | 0                         | 0             | -3,374         |
| Depreciation written out on Revaluation Reserve  | 0                 | 0                | -1,138               | 0                             | 0              | 0                | 0                         | 0             | -1,138         |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0              |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services                   | 0                 | 0                | -2,254               | 0                             | 0              | 0                | 0                         | 0             | -2,254         |
| <b>Balance as at 31 March 2023</b>   | <b>-5,725</b>     | <b>0</b>         | <b>-9,214</b>        | <b>-11,828</b>                | <b>-1,445</b>  | <b>0</b>         | <b>0</b>                  | <b>0</b>      | <b>-28,212</b> |
| <b>Net Book Value</b>  |                   |                  |                      |                               |                |                  |                           |               |                |
| <b>Balance as at 31 March 2023</b>   | <b>315,058</b>    | <b>10,251</b>    | <b>36,061</b>        | <b>2,101</b>                  | <b>3,709</b>   | <b>1,625</b>     | <b>11,425</b>             | <b>1,775</b>  | <b>382,004</b> |
| <b>Balance as at 31 March 2022</b>   | <b>317,602</b>    | <b>10,251</b>    | <b>30,069</b>        | <b>2,813</b>                  | <b>3,770</b>   | <b>1,378</b>     | <b>3,588</b>              | <b>1,775</b>  | <b>371,297</b> |

# NOTES TO THE BALANCE SHEET

## D1. Property, Plant and Equipment

### Comparative Year

|  | Council Dwellings | Operational Land | Operational Building | Vehicles, Plant and Equipment | Infrastructure | Community assets | Assets under construction | Surplus Asset | Total PP&E      |
|--|-------------------|------------------|----------------------|-------------------------------|----------------|------------------|---------------------------|---------------|-----------------|
|  | £000              | £000             | £000                 | £000                          | £000           | £000             | £000                      | £000          | £000            |
| <b>Cost or Valuation</b>   |                   |                  |                      |                               |                |                  |                           |               |                 |
| <b>Balance as at 1 April 2021</b>  | <b>320,109</b>    | <b>9,939</b>     | <b>25,546</b>        | <b>13,035</b>                 | <b>5,560</b>   | <b>1,335</b>     | <b>5,678</b>              | <b>1,881</b>  | <b>383,083</b>  |
| Adjustments re prior years   | (5,392)           | 312              | 7,943                | 443                           | (484)          | 43               | (5,137)                   | (106)         | (2,378)         |
| <b>Adjusted opening balance</b>  | <b>314,717</b>    | <b>10,251</b>    | <b>33,489</b>        | <b>13,478</b>                 | <b>5,076</b>   | <b>1,378</b>     | <b>541</b>                | <b>1,775</b>  | <b>380,705</b>  |
| Additions  | 6,947             | 0                | 0                    | 403                           | 0              | 0                | 3,047                     | 0             | 10,397          |
| Donations  | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0               |
| Revaluation increases/decreases to Revaluation Reserve   | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0               |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services               | 5,991             | 0                | 49                   | 0                             | 0              | 0                | 0                         | 0             | 6,040           |
| Derecognition - Disposals  | (4,450)           | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | (4,450)         |
| Other movements  | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0               |
| <b>Balance as at 31 March 2022</b>   | <b>323,205</b>    | <b>10,251</b>    | <b>33,538</b>        | <b>13,881</b>                 | <b>5,076</b>   | <b>1,378</b>     | <b>3,588</b>              | <b>1,775</b>  | <b>392,692</b>  |
| <b>Depreciation and Impairment</b>   |                   |                  |                      |                               |                |                  |                           |               |                 |
| <b>Balance as at 1 April 2021</b>  | <b>(7,969)</b>    | <b>0</b>         | <b>393</b>           | <b>(8,898)</b>                | <b>(1,151)</b> | <b>43</b>        | <b>0</b>                  | <b>0</b>      | <b>(17,582)</b> |
| Adjustments re prior years   | 7,958             | 0                | (2,397)              | (1,443)                       | (12)           | (43)             | 0                         | 0             | 4,063           |
| <b>Adjusted opening balance</b>  | <b>(11)</b>       | <b>0</b>         | <b>(2,004)</b>       | <b>(10,341)</b>               | <b>(1,163)</b> | <b>0</b>         | <b>0</b>                  | <b>0</b>      | <b>(13,519)</b> |
| Depreciation Charge  | (5,592)           | 0                | (1,465)              | (727)                         | (143)          | 0                | 0                         | 0             | (7,927)         |
| Depreciation written out on Revaluation Reserve  | 0                 | 0                | 0                    | 0                             | 0              | 0                | 0                         | 0             | 0               |
| 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 2022</b>   | <b>(5,603)</b>    | <b>0</b>         | <b>(3,469)</b>       | <b>(11,068)</b>               | <b>(1,306)</b> | <b>0</b>         | <b>0</b>                  | <b>0</b>      | <b>(21,446)</b> |
| <b>Net Book Value</b>  |                   |                  |                      |                               |                |                  |                           |               |                 |
| <b>Balance as at 31 March 2022</b>   | <b>317,602</b>    | <b>10,251</b>    | <b>30,069</b>        | <b>2,813</b>                  | <b>3,770</b>   | <b>1,378</b>     | <b>3,588</b>              | <b>1,775</b>  | <b>371,247</b>  |
| <b>Balance as at 31 March 2021</b>   | <b>312,140</b>    | <b>9,939</b>     | <b>25,939</b>        | <b>4,137</b>                  | <b>4,408</b>   | <b>1,378</b>     | <b>5,678</b>              | <b>1,881</b>  | <b>365,500</b>  |

## NOTES TO THE BALANCE SHEET

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### Depreciation

All assets have been depreciated using a reducing balance method. For the housing revenue account, the depreciation calculation is based on the replacement cost and useful life of major components – bathroom, kitchen, roof, rewire, central heading boiler, central heating system, windows and the structure.

The Council's valuers and surveyors have determined the useful economic life of the assets. Buildings have a useful life of between 15 to 100 years. Vehicles, plant and equipment and software licences have a useful life of between 5 to 10 years.

### Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2022/23.

Valuations of land and buildings are conducted in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2022/23 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This was in line with 2021/22.

### Transfers between levels of the Fair Value Hierarchy

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

### Valuation Techniques used to determine Level 2 and 3 Fair Values for Surplus Assets Significant observable inputs (Level 2)

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

### Highest and best use of surplus assets

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

### Valuation Techniques

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

### Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £1.775m. Valuations have been conducted by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## NOTES TO THE BALANCE SHEET

### D2. INVESTMENT PROPERTIES

|   | 2022/23    | 2021/22    |
|---|------------|------------|
|   | £000       | £000       |
| <b>Balance at start of the year</b>     | <b>897</b> | <b>897</b> |
| Additions:                              |            |            |
| - Purchases                             | 2          | 0          |
| Disposals                               | 0          | 0          |
| Transfers:                              |            |            |
| - to/from Property, Plant and Equipment | 0          | 0          |
| Other changes                           | 0          | 0          |
| <b>Balance at end of the year</b>       | <b>899</b> | <b>897</b> |

### D3. 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 licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.342m (£0.024m in 2021/22) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

The movement in intangible assets for the year is as follows:

|                                    | £000           |
|------------------------------------|----------------|
| <b>Balance as at 1 April 2022</b>  | <b>2,635</b>   |
| <b>Adjustments</b>                 | <b>(304)</b>   |
| <b>Revised balance</b>             | <b>2,331</b>   |
| Additions                          | 769            |
| <b>Balance as at 31 March 2023</b> | <b>3,100</b>   |
| <b>Depreciation and Impairment</b> |                |
| <b>Balance as at 1 April 2022</b>  | <b>(1,751)</b> |
| <b>Adjustments</b>                 | <b>39</b>      |
| <b>Revised balance</b>             | <b>(1,712)</b> |
| Depreciation Charge                | (342)          |
| <b>Balance as at 31 March 2023</b> | <b>(2,054)</b> |
| <b>Net Book Value</b>              |                |
| <b>Balance as at 31 March 2023</b> | <b>1,046</b>   |
| <b>Balance as at 31 March 2022</b> | <b>884</b>     |

## NOTES TO THE BALANCE SHEET

### D4. Debtors

|                                | Long term debtors |                 | Short term debtors |                 |
|--------------------------------|-------------------|-----------------|--------------------|-----------------|
|                                | 2022/23<br>£000   | 2021/22<br>£000 | 2022/23<br>£000    | 2021/22<br>£000 |
| Central Government Bodies      | 0                 | 0               | 9,103              | 4,074           |
| Other entities and individuals | 906               | 0               | 0                  | 13,152          |
| Housing Rents                  | 0                 | 0               | 7,530              | 31,968          |
| Less bad debt provision        | 0                 | 0               | (3,368)            | (3,734)         |
| <b>Total</b>                   | <b>906</b>        | <b>0</b>        | <b>13,265</b>      | <b>45,460</b>   |

### D5. Creditors

|                                | Short term creditors |                 |
|--------------------------------|----------------------|-----------------|
|                                | 2022/23<br>£000      | 2021/22<br>£000 |
| Central Government bodies      | 1,081                | (9,101)         |
| Other local authorities        | 4,136                | 0               |
| Housing Rents Prepaid          | (13,870)             | (841)           |
| Other Entities and Individuals | (30,351)             | (37,244)        |
| <b>Total</b>                   | <b>(39,004)</b>      | <b>(47,186)</b> |

### D6. Provisions 2022/23

|                  | Balance<br>as at 1<br>April 2022<br>£000 | Change in<br>provision<br>during<br>year<br>£000 | Utilised<br>during<br>year<br>£000 | Balance<br>as at 31<br>March<br>2023<br>£000 |
|------------------|--|--|------------------------------------|--|
| Insurance        | (384)                                    | (88)   | 0                                  | (472)  |
| NNDR Appeals     | (475)                                    | (723)  | 0                                  | (1,198)                                      |
| Employee Benefit | (128)                                    | 0  | 0                                  | (128)  |
| <b>Total</b>     | <b>(987)</b>                             | <b>(811)</b>                                     | <b>0</b>                           | <b>(1,798)</b>                               |

### 2021/22

|                  | Balance<br>as at 1<br>April 2021<br>£000 | Change in<br>provision<br>during<br>year<br>£000 | Utilised<br>during<br>year<br>£000 | Balance<br>as at 31<br>March<br>2022<br>£000 |
|------------------|--|--|------------------------------------|--|
| Insurance        | (383)                                    | (15)   | 14                                 | (384)  |
| NNDR Appeals     | (2,870)                                  | (4,305)  | 6,700                              | (475)  |
| Employee Benefit | (128)                                    | 0  | 0                                  | (128)  |
| <b>Total</b>     | <b>(3,381)</b>                           | <b>(4,320)</b>                                   | <b>6,714</b>                       | <b>(987)</b>                                 |

## NOTES TO THE BALANCE SHEET

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### Business Rates Appeals Provision

Within the Collection Fund, the Council has set aside provision for any potential liabilities because of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge was upheld in May 2020 and payments have been made during the financial year.

There is no allocation of the business rates appeals to the Council because of the arrangements in place whereby Worcestershire County Council have taken the lead of a Pilot Business Rates Pool covering all of Worcestershire, securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

### Insurance Provision

The Council also holds a provision for potential insurance claims. This is currently £0.472m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

### Rubicon Leisure Limited

Rubicon Leisure Limited was created in 2018/19 and commenced trading on 1 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 Council continues to own the buildings and Rubicon operate services at the following sites:

- Abbey Stadium
- Palace Theatre
- Pitcheroak Golf Course
- Pitcheroak Golf Course Café
- Forge Mill Museum
- Batchley, Oakenshaw, Windmill and Winvates Green Meeting Rooms
- Arrow Valley Visitor Centre

The company activity is included in the Group Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet. The Group Balance Sheet nets off transactions between the Council and Rubicon which impacts on debtors and creditors. This is to avoid a double count. In addition, the Company inventory, cash and reserves are reflected in the Group Balance Sheet.

There is no goodwill as the group did not arise through a purchase.

## **D7. Capital Expenditure and 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 increased 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.

## NOTES TO THE BALANCE SHEET

| Capital Expenditure and Capital Financing   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Opening Capital Financing Requirement   | <b>148,006</b>  | <b>146,719</b>  |
| <b>Capital Investment</b>   |                 |                 |
| Property, Plant and Equipment   | 10,033          | 10,397          |
| Investment Properties   | 0               | 0               |
| Intangible Assets   | 664             | 318             |
| Revenue Expenditure Funded from Capital under Statute                                     | 0               | 0               |
| <b>Total</b>  | <b>10,697</b>   | <b>10,715</b>   |
| <b>Sources of finance</b>   |                 |                 |
| Capital receipts  | (1,236)         | (1,064)         |
| Government grants and other contributions   | (1,596)         | (2,163)         |
| Major Repairs Allowance   | (6,000)         | (5,192)         |
| <b>Sums set aside from revenue:</b>   |                 |                 |
| Direct revenue contributions:   |                 |                 |
| General Fund  | 0               | 0               |
| HRA   | (785)           | (1,009)         |
|   | <b>(9,617)</b>  | <b>(9,428)</b>  |
| Closing Capital Finance Requirement   | <b>149,086</b>  | <b>148,006</b>  |
| <b>Explanation of movements in year</b>   |                 |                 |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 1,080           | 1,287           |
| Assets acquired under finance leases  | 0               | 0               |
| <b>Increase/(decrease) in Capital Financing Requirement</b>                               | <b>1,080</b>    | <b>1,287</b>    |

### D8. Assets Held for Sale

There were assets held for sale to the value of £0.906m as at 31 March 2022. To be an asset held for sale, it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months.

### D9. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2023 and 2022 are as follows:

|   | Consumable Stores |            |
|---|-------------------|------------|
|   | 2022/23           | 2021/22    |
|   | £000              | £000       |
| <b>Balance outstanding at start of year</b> | 731               | 465        |
| Purchases                                   | 1,694             | 519        |
| Recognised as an expense in year            | (51)              | (253)      |
| Written off balances                        | 0                 | 0          |
| <b>Balance outstanding at year end</b>      | <b>2,374</b>      | <b>731</b> |



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E1. Defined Benefit Pension Scheme

#### Retirement Benefits

##### 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 planned 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 in 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 |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2022/23<br>£000                 | 2021/22<br>£000 | 2022/23<br>£000        | 2021/22<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                 |                 |                        |                 |
| <i>Cost of services:</i>   |                                 |                 |                        |                 |
| <i>Service cost comprising:</i>  |                                 |                 |                        |                 |
| Current service cost   | 4,025                           | 3,865           | 0                      | 0               |
| Past service cost  | 0                               | 441             | 0                      | 0               |
| <b>Financing and Investment Income and Expenditure:</b>  |                                 |                 |                        |                 |
| Net Interest expense   | 1,919                           | 1,492           | 0                      | 74              |
| <b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b> | <b>5,944</b>                    | <b>5,798</b>    | <b>0</b>               | <b>74</b>       |

| <b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> |                 |              |          |            |
|---|-----------------|--------------|----------|------------|
| <u>Remeasurement of the net defined benefit liability comprising:</u>                               |                 |              |          |            |
| Return on plan assets (excluding the amount included in the net interest expense)                   | (3,807)         | (4,703)      | 0        | 0          |
| Actuarial gains and losses arising on changes in demographic assumptions                            | (3,085)         | (1,496)      | 0        | 0          |
| Actuarial gains and losses arising on changes in financial assumptions                              | (73,532)        | (529)        | 0        | 327        |
| Actuarial gains and losses arising on changes in Experience   | 16,403          | 612          | 0        | (75)       |
| Other   | 39              | 38           | 0        | 0          |
| <b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>(58,038)</b> | <b>(280)</b> | <b>0</b> | <b>326</b> |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

| 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 |  | (5,944) | (5,798) | 0 | (74) |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b>  |  |         |         |   |      |
| Employers' contributions payable to scheme   |  | 3,786   | 3,610   | 0 | 0    |
| Retirement benefits payable to pensioners  |  | 0       | 0       | 0 | 269  |

### Pension Assets and Liabilities recognised in the Balance Sheet

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

|  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2022/23<br>£000                 | 2021/22<br>£000 | 2022/23<br>£000        | 2021/22<br>£000 |
| Present value of the defined obligation                          | (137,222)                       | (195,060)       | (3,294)                | (3,351)         |
| Fair value of plan assets  | 126,996                         | 125,749         | 0                      | 0               |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(10,226)</b>                 | <b>(69,311)</b> | <b>(3,294)</b>         | <b>(3,351)</b>  |

| Net Liability and Pension Strain                                 | Local Government Pension Scheme |                 |
|--|---------------------------------|-----------------|
|  | 2022/23<br>£000                 | 2021/22<br>£000 |
| Local Government Pension Scheme                                  | (10,226)                        | (69,311)        |
| Discretionary Benefits   | (3,294)                         | (3,351)         |
| Pension Strain Liability   | 0                               | 0               |
| <b>Sub-total</b>   | <b>(13,520)</b>                 | <b>(72,662)</b> |
| Advance Payment of Pension Contributions                         | 0                               | 4,185           |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(13,520)</b>                 | <b>(68,477)</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 of 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

|  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2022/23<br>£000                 | 2021/22<br>£000 | 2022/23<br>£000        | 2021/22<br>£000 |
| Opening fair value of scheme assets  | 120,898                         | 119,747         | 0                      | 0               |
| Interest income  | 3,371                           | 2,503           | 0                      | 0               |
| Remeasurement gain/(loss):   |                                 | 0               | 0                      | 0               |
| the return on plan assets, excluding the amount included in the net interest expense | 3,807                           | 4,703           | 0                      | 0               |
| Contributions from employer  | 3,786                           | 3,610           | 0                      | 269             |
| Contributions from employees into the scheme   | 631                             | 620             | 0                      | 0               |
| Benefits/transfers paid  | (5,458)                         | (5,396)         | 0                      | (269)           |
| Administration costs   | (39)                            | (38)            | 0                      | 0               |
| <b>Closing value of scheme assets</b>  | <b>126,996</b>                  | <b>125,749</b>  | <b>0</b>               | <b>0</b>        |

### Reconciliation of the present value of the scheme liabilities

|  | Local Government Pension Scheme |                  | Discretionary Benefits |                 |
|--|---------------------------------|------------------|------------------------|-----------------|
|  | 2022/23<br>£000                 | 2021/22<br>£000  | 2022/23<br>£000        | 2021/22<br>£000 |
| <b>Opening balance at 1 April</b>                        | (192,948)                       | (192,948)        | (3,294)                | (3,294)         |
| Current service cost                                     | (4,025)                         | (3,865)          | 0                      | 0               |
| Interest cost  | (5,290)                         | (3,995)          | 0                      | (74)            |
| Contributions from scheme participants                   | (631)                           | (620)            | 0                      | 0               |
| Remeasurement (gains) and losses:                        | 0                               | 0                | 0                      | 0               |
| Experience (gains/losses)                                | (16,403)                        | (612)            | 0                      | 75              |
| Financial Assumptions (gains/losses)                     | 73,532                          | 529              | 0                      | (327)           |
| Demographic Assumptions (gains/losses)                   | 3,085                           | 1,496            | 0                      | 0               |
| Past service cost  | 0                               | 0                | 0                      | 0               |
| Losses/(gains) on curtailments where relevant            | 0                               | (441)            | 0                      | 0               |
| Benefits/transfers paid                                  | 5,458                           | 5,396            | 0                      | 269             |
| Liabilities extinguished on settlements (where relevant) | 0                               | 0                | 0                      | 0               |
| <b>Balance as at 31 March</b>                            | <b>(137,222)</b>                | <b>(195,060)</b> | <b>(3,294)</b>         | <b>(3,351)</b>  |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Local government pension scheme assets comprised:

All scheme assets have quoted prices in active markets.

|                                    | Fair value of scheme assets |                |
|------------------------------------|-----------------------------|----------------|
|                                    | 31/03/2023                  | 31/03/2022     |
| <b>Cash and cash equivalents</b>   |                             |                |
| <b>Equities:</b>                   |                             |                |
| UK quoted                          | 131                         | 143            |
| Overseas quoted                    | 28,378                      | 30,279         |
| PIV - UK managed                   | 15,971                      | 17,041         |
| PIV - UK managed (overseas)        | 48,239                      | 49,343         |
| PIV - Overseas managed             | 964                         | 986            |
| <b>Sub-total equity</b>            | <b>93,683</b>               | <b>97,792</b>  |
| <b>Bonds:</b>                      |                             |                |
| UK Corporate                       | 0                           | 0              |
| Overseas Corporate                 | 1,704                       | 1,704          |
| Other Corporate                    | 0                           | 0              |
| UK Government Fixed                | 1,958                       | 2,755          |
| Overseas Government                | 0                           | 916            |
| <b>Sub-total bonds</b>             | <b>3,662</b>                | <b>5,375</b>   |
| <b>Property:</b>                   |                             |                |
| European Property Fund             | 0                           | 0              |
| UK Property Debt                   | 841                         | 878            |
| Overseas Property Debt             | 561                         | 586            |
| UK Property Funds                  | 5,329                       | 5,564          |
| Overseas REITs                     | 0                           | 0              |
| <b>Sub-total property</b>          | <b>6,731</b>                | <b>7,028</b>   |
| <b>Alternatives</b>                |                             |                |
| UK Infrastructure                  | 5,696                       | 5,948          |
| European Infrastructure            | 3,797                       | 3,965          |
| US Infrastructure                  | 3,164                       | 3,304          |
| UK Stock Options                   | 506                         | 528            |
| Overseas Stock Options             | (253)                       | (264)          |
| Corporate Private Debt             | 1,899                       | 1,983          |
| <b>Sub-total alternative funds</b> | <b>14,809</b>               | <b>15,464</b>  |
| <b>Total assets</b>                | <b>118,885</b>              | <b>125,659</b> |

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in 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 2023.

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

|   | Local Government Pension Scheme |         | Discretionary Benefits Arrangements |         |
|---|---------------------------------|---------|-------------------------------------|---------|
|   | 2022/23                         | 2021/22 | 2022/23                             | 2021/22 |
| <b>Mortality assumptions:</b>                 |                                 |         |                                     |         |
| <i>Longevity at 65 current pensioners:</i>    |                                 |         |                                     |         |
| Men   | 22.7                            | 22.7    | 22.7                                | 22.7    |
| Women   | 25.1                            | 25.1    | 25.1                                | 25.1    |
|   |                                 |         |                                     |         |
| <i>Longevity at 65 for future pensioners:</i> |                                 |         |                                     |         |
| Men   | 24.4                            | 24.4    | 24.4                                | 24.4    |
| Women   | 27.1                            | 27.1    | 27.1                                | 27.1    |
|   |                                 |         |                                     |         |
| <b>Financial assumptions:</b>                 |                                 |         |                                     |         |
| Rate of inflation                             | 2.7%                            | 2.7%    | 2.7%                                | 2.7%    |
| Rate of increase in salaries                  | 4.2%                            | 4.2%    | 4.2%                                | 4.2%    |
| Rate of increase in pensions                  | 2.8%                            | 2.8%    | 2.8%                                | 2.8%    |
| Discount Rate                                 | 2.1%                            | 2.1%    | 2.1%                                | 2.1%    |

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 assumption, 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 Authority's cashflows

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

The scheme takes 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.

|   | 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)                    | 6,007  | (6,007)                        |
| Rate of inflation (increase or decrease by 0.1%)                | 3,143  | (3,143)                        |
| Rate of increase in salaries (increase or decrease by 0.1%)     | 231  | (231)                          |
| Rate for discounting liabilities (increase or decrease by 0.1%) | (3,095)  | 3,095                          |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E2. Financial Instruments

|  | Current       |               |               |               |               |               | Non-Current |            |            |            |            |            |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------------|------------|------------|------------|------------|------------|
|  | Investments   |               | Debtors       |               | Total         |               | Investments |            | Debtors    |            | Total      |            |
|  | 31/03/2023    | 31/03/2022    | 31/03/2023    | 31/03/2022    | 31/03/2023    | 31/03/2022    | 31/03/2023  | 31/03/2022 | 31/03/2023 | 31/03/2022 | 31/03/2023 | 31/03/2022 |
|  | £000          | £000          | £000          | £000          | £000          | £000          | £000        | £000       | £000       | £000       | £000       | £000       |
| <b>Financial Assets</b>                        |               |               |               |               |               |               |             |            |            |            |            |            |
| Cash not falling into the following categories | 0             | 0             | 0             | 0             | 0             | 0             | 0           | 0          | 0          | 0          | 0          | 0          |
| Fair Value through profit and loss             | 0             | 0             | 0             | 0             | 0             | 0             | 0           | 0          | 0          | 0          | 0          | 0          |
| Amortised cost                                 | 41,850        | 30,897        | 13,265        | 45,460        | 55,115        | 76,357        | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total Financial Assets</b>                  | <b>41,850</b> | <b>30,897</b> | <b>13,265</b> | <b>45,460</b> | <b>55,115</b> | <b>76,357</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |
| Non-Financial Assets                           | 0             | 0             | 0             | 0             | 0             | 0             | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total</b>                                   | <b>41,850</b> | <b>30,897</b> | <b>13,265</b> | <b>45,460</b> | <b>55,115</b> | <b>76,357</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |

|                                    | Current        |                 |                 |                 |                 |                 | Non-Current      |                  |                 |                 |                  |                  |
|------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|------------------|------------------|
|                                    | Borrowing      |                 | Creditors       |                 | Total           |                 | Borrowing        |                  | Creditors       |                 | Total            |                  |
|                                    | 31/03/2023     | 31/03/2022      | 31/03/2023      | 31/03/2022      | 31/03/2023      | 31/03/2022      | 31/03/2023       | 31/03/2022       | 31/03/2023      | 31/03/2022      | 31/03/2023       | 31/03/2022       |
|                                    | £000           | £000            | £000            | £000            | £000            | £000            | £000             | £000             | £000            | £000            | £000             | £000             |
| <b>Financial Liabilities</b>       |                |                 |                 |                 |                 |                 |                  |                  |                 |                 |                  |                  |
| Fair Value through profit and loss | 0              | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0               | 0               | 0                | 0                |
| Amortised Cost                     | (9,000)        | (27,852)        | (39,004)        | (47,185)        | (48,004)        | (75,037)        | (104,064)        | (104,064)        | (68,870)        | (69,777)        | (172,934)        | (173,841)        |
| <b>Total Financial Liabilities</b> | <b>(9,000)</b> | <b>(27,852)</b> | <b>(39,004)</b> | <b>(47,185)</b> | <b>(48,004)</b> | <b>(47,185)</b> | <b>(104,064)</b> | <b>(104,064)</b> | <b>(68,870)</b> | <b>(69,777)</b> | <b>(172,934)</b> | <b>(173,841)</b> |
| Non-Financial Liabilities          | 0              | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0               | 0               | 0                | 0                |
| <b>Total</b>                       | <b>(9,000)</b> | <b>(27,852)</b> | <b>(39,004)</b> | <b>(47,185)</b> | <b>(48,004)</b> | <b>(47,185)</b> | <b>(104,064)</b> | <b>(104,064)</b> | <b>(68,870)</b> | <b>(69,777)</b> | <b>(172,934)</b> | <b>(173,841)</b> |

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years, which will be repaid on the sale of the property. In all cases, no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E3. Nature and extent of risks arising from Financial Instruments

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

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

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

#### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used. Credit ratings are obtained and monitored by the Council's Treasury Advisors, who will notify changes in the ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investment will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

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

|                | Banks Unsecured  | Banks Secured     | Government           | Corporates        | Registered Providers |
|----------------|------------------|-------------------|----------------------|-------------------|----------------------|
| <b>UK Govt</b> | n/a              | n/a               | £ Unlimited 50 years | n/a               | n/a                  |
| <b>AAA</b>     | £2.5m<br>5 years | £2.5m<br>20 years | £2.5m<br>50 years    | £2.5m<br>20 years | £1m<br>20 years      |
|                | £2.5m            | £2.5m             | £2.5m                | £2.5m             | £1m                  |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

|                     |                         |           |          |           |          |
|---------------------|-------------------------|-----------|----------|-----------|----------|
| <b>AA+</b>          | 5 years                 | 10 years  | 25 years | 10 years  | 10 years |
| <b>AA</b>           | £2.5m                   | £2.5m     | £2.5m    | £2.5m     | £1m      |
|                     | 4 years                 | 5 years   | 15 years | 5 years   | 10 years |
| <b>AA-</b>          | £2.5m                   | £2.5m     | £2.5m    | £2.5m     | £1m      |
|                     | 3 years                 | 4 years   | 10 years | 4 years   | 10 years |
| <b>A+</b>           | £2.5m                   | £2.5m     | £2.5m    | £2.5m     | £1m      |
|                     | 2 years                 | 3 years   | 5 years  | 3 years   | 5 years  |
| <b>A</b>            | £2.5m                   | £2.5m     | £2.5m    | £2.5m     | £1m      |
|                     | 13 months               | 2 years   | 5 years  | 2 years   | 5 years  |
| <b>A-</b>           | £2.5m                   | £2.5m     | £2.5m    | £2.5m     | £1m      |
|                     | 6 months                | 13 months | 5 years  | 13 months | 5 years  |
| <b>None</b>         | £1m                     | n/a       | £3m      | £1m       | £500k    |
|                     | 6 months                |           | 25 years | 5 years   | 5 years  |
| <b>Pooled funds</b> | £2.5m per fund or trust |           |          |           |          |

**Banks Unsecured:** call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

**Banks Secured:** covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

**Government:** Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the Debt Management Account Deposit Facility (DMADF) are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

**Corporates:** Loans, bonds, and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

**Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and extremely low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

### Liquidity risk

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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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meet its commitments under financial instruments.

### Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charges to the Surplus / Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus / Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus / Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2022/23, the Council had no variable long-term investments or borrowings.

### Price Risk

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

## E4. Leases

Leases are classified as finance leases, where the terms of the lease transfer 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 period 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 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 in 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 impairments 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.

The Council has no finance leases.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 Rubicon Centre is leased with a remaining lease period to 31 July 2023. This is a business centre sublet to small businesses.

The Council leases multifunctional devices (MFDs) through a lease that commenced in 2018/19 for an initial period until 31 July 2023. The future minimum payments under non-cancellable operating leases in future years are set out below:

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Minimum lease rentals payable:              |                 |                 |
| No later than 1 year                        | 38              | 43              |
| Later than 1 year and no later than 5 years | 0               | 10              |
| <b>Total</b>                                | <b>38</b>       | <b>53</b>       |

### The Authority as a Lessor – Finance Leases

When 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 credited to the same 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Lease rentals receivable is 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 the 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 the 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.

The Council has no finance leases.

### 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.

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports and community facilities
- For the economic development purposes to provide suitable affordable accommodation for small local businesses
- Any other purpose

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

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Minimum lease rentals payable:              |                 |                 |
| No later than 1 year                        | 363             | 363             |
| Later than 1 year and no later than 5 years | 1,263           | 1,263           |
| Later than 5 years                          | 1,318           | 1,681           |
| <b>Total</b>                                | <b>2,944</b>    | <b>3,307</b>    |

## E5. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The statements are prepared on a general principle of a going

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 2022/23, supported by the 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

#### i) 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 based on the effective interest rate for the relevant financial instrument rather than the cashflows 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 minimus level for accruals of creditors and debtors that are calculated manually to avoid addition 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 minimus 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 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 Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

#### ii) 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 high liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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with insignificant risk of change in value.

In the Cashflow 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.

### iii) Prior period adjustments and changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because 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.

### iv) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of the 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 for the two.

### v) Council Tax and Non-Domestic Rates (England)

Billing Authorities act as agent, 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.

### vi) Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holidays 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 either 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 Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

#### The Local Government Pension Scheme

The Local Government Pension 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 pension liability is analysed into the following components:

- Service cost comprising:

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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- Current service cost – the increase in liabilities because 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 because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and 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 expenses for the Authority – the change during the period on 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, considering 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 the 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.

### 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 because 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.

### vii) Events after the Balance Sheet date

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.

### viii) 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:

- In the principal market for the asset or liability, or

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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- 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.

### ix) 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 interest 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 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 cashflow 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 to collect contractual cashflows and where the cashflows 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 homeowners (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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 Local Authority for which relevant statutory provision 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 twelve 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 cashflows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cashflows 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.

### x) Government Grants and Contributions

Where 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-ringfenced 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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.

### xi) Heritage Assets

#### Tangible and Intangible Heritage Assets (described in this summary 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.

### xii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because 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 good 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.

### xiii) 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 Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in the 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.

### xiv) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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inventories is assigned using the weighted average costing formula.

Long-term contracts are accounted for based on 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.

### xv) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements 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.

### xvi) 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 influence the reader of the accounts. Notes are only included where items are material by value or nature.

### xvii) 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 administration 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, if 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 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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- 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 an insufficient balance, 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 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 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 against 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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 disposal (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 General Fund Balance in the Movement in Reserves Statement.

### xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that 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, considering 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 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 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not 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.

### **xix) 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.

### **xx) 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.

### **xxi) 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 monthly 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 the Statement of Accounts.

When entering into share 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 the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with 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 is fully charged.

### **xxii) 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, 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 outlined below.

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 prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £17.818m and a General Fund Balance of £8.924m.

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 cashflows.

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. 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 20 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 after 31 March 2020 but full provision was made in the provision for business rate appeals. The level of the 2017 rating list provision for appeals has contributed £3.453m. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list. Further information on these appeals is provided in **Note D6**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 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,

### E7. Accounting Standards not yet 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 1 April 2020, but this has now been delayed until 1 April 2024.

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.

### E8. 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### E9. Related Parties

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

#### Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B9**.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2022/23 is shown in **Note B7**.

Many Redditch Borough Councillors are also County Councillors and / or elected members of the Parish Council.

In 2022/23, all members have completed a register of members' disclosable pecuniary interest.

#### Officers

There were no disclosures made by officers in 2022/23,

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

The Council has a wholly owned leisure company called Rubicon Leisure to run its leisure services for it.

As part of the shared services with Bromsgrove District Council, Redditch paid £6.915m (£7.022m in 2021/22) for Bromsgrove hosted services and received £3.717m (£3.912m in 2021/22) for services hosted at Redditch.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.314m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove District and Wyre Forest for the provision of Building Control. Redditch paid £0.090m to Bromsgrove.

For the provision of Car Park services, the Council paid £0.070m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.108m to Worcester City Council.

The Council paid Bromsgrove District Council £0.618m for Worcestershire Regulatory Shared Service.

In total, the Council received £0.578m in 2022/23 from Worcestershire County Council for running the Early Help services.



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### **E10. Events after the Balance Sheet date**

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 rates assets and liabilities in 2022/23 was £1,353,912.

### **E11. Contingent Assets**

A contingent asset 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 that are not wholly within the Council's control.

There are no contingent assets as at 31 March 2023.

### **E12. Contingent Liabilities**

A contingent liability 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 that are not wholly within the Council's control.

There are no contingent liabilities as at 31 March 2023.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### F1. Cash and Cash Equivalents

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

|                        | 2022/23<br>£000 | 2021/22<br>£000 |
|------------------------|-----------------|-----------------|
| Cash and Bank balances | 15,620          | 26,709          |
| Short Term Investments | 0               | 0               |
| <b>Total</b>           | <b>15,620</b>   | <b>26,709</b>   |

### F2. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Depreciation   | 9,548           | 8,352           |
| Impairment & downward valuations   | 3,289           | 24              |
| Amortisation   | 240             | 0               |
| (Increase)/Decrease in Debtors   | 32,195          | (28,136)        |
| Increase/(Decrease) in Creditors   | (8,181)         | 32,461          |
| Increase in Inventories  | (1,643)         | (267)           |
| Movement in pension liability  | 4,489           | 3,790           |
| Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised | 2,872           | 4,450           |
| Other items charged to the net surplus or deficit on provision of services                         | 1,801           | (151)           |
| <b>Total</b>   | <b>44,610</b>   | <b>20,524</b>   |

### F3. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing for financing activities.

| <b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                |                |
|---|----------------|----------------|
| Proceeds from the sale of PP&E, investment property and intangible assets   | (4,058)        | (3,738)        |
| Any other items   | (1,596)        | 0              |
| <b>Total</b>  | <b>(5,654)</b> | <b>(3,738)</b> |

### F4. Investing Activities

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Purchase of PP&E, investment property and intangible assets                | (10,697)        | (10,716)        |
| Purchase of Short Term Investments (not considered to be cash equivalents) | (52,383)        | (20,897)        |
| Proceeds from the sale of PP&E, investment property and intangible assets  | 4,058           | 0               |
| Other Receipts from Investing Activities                                   | 0               | 3,738           |
| <b>Net Cash flows from Investing Activities</b>                            | <b>(59,022)</b> | <b>(27,875)</b> |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### F5. Financing Activities

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Cash Receipts from Short and Long Term Borrowing | 12,617          | 27,852          |
| Other Receipts from Financing Activities         | 0               | 0               |
| Repayment of Short and Long Term Borrowing       | 0               | 0               |
| <b>Net Cash flows from Financing Activities</b>  | <b>12,617</b>   | <b>27,852</b>   |

# HOUSING REVENUE ACCOUNT

## HOUSING REVENUE ACCOUNT

### G1. Overview

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| <b>Expenditure</b>   |                 |                 |
| Repairs & Maintenance  | (5,973)         | (5,879)         |
| Supervision & Management   | (7,250)         | (7,263)         |
| Rents, Rates, Taxes and other charges  | (432)           | (235)           |
| Depreciation, impairments and revaluation losses of non-current assets   | (5,846)         | (5,893)         |
| Debt Management Costs  | (9)             | (9)             |
| Movement in the allowance for bad debts  | (965)           | (385)           |
| <b>Total Expenditure</b>   | <b>(20,476)</b> | <b>(19,664)</b> |
| <b>Income</b>  |                 |                 |
| Dwelling rents   | 24,089          | 23,253          |
| Non-dwelling rents   | 502             | 533             |
| Charges for services and facilities  | 609             | 530             |
| Capitalisation of System Implementation Team   | 49              | 81              |
| Contributions towards Expenditure  | 40              | 91              |
| Other  | 25              | 26              |
| <b>Total Income</b>  | <b>25,314</b>   | <b>24,514</b>   |
|  |                 |                 |
|  |                 |                 |
| <b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b> | <b>4,839</b>    | <b>4,850</b>    |
|  |                 |                 |
| HRA Services Share of Corporate & Democratic Core  | (693)           | (674)           |
|  |                 |                 |
| <b>Net Expenditure of HRA Services</b>   | <b>4,146</b>    | <b>4,176</b>    |
|  |                 |                 |
| Gains/(loss) on sale of HRA Fixed Assets   | 400             | 848             |
| Interest Payable and Similar Charges   | (4,410)         | (4,174)         |
| HRA Interest and Investment Income   | 183             | 23              |
| Net interest on the defined benefit liability (asset)  | 0               | 0               |
| Capital Grants and Contributions   | 0               | 0               |
| <b>Surplus or (Deficit for Year) on HRA Services</b>   | <b>319</b>      | <b>873</b>      |

## HOUSING REVENUE ACCOUNT

### G2. Movement on the HRA Statement

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| <b>Balance on the HRA at the end of the previous year</b>              | <b>2,057</b>    | <b>2,032</b>    |
| Surplus or (Deficit) on the HRA Income and Expenditure Statement       | 319             | 873             |
| Adjustments between accounting basis and funding basis under statute   | (1,185)         | (1,857)         |
| <b>Net Increase or (Decrease) before transfers to or from reserves</b> | <b>(866)</b>    | <b>(984)</b>    |
| Transfers (to)/from Reserves   | 785             | 1,009           |
| <b>Increase or (decrease) on the HRA for the year</b>                  | <b>(81)</b>     | <b>25</b>       |
| <b>Balance on the HRA at the end of the current year</b>               | <b>1,976</b>    | <b>2,057</b>    |

|   | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute |                 |                 |
| Transfers to/from the Capital Adjustment Account  | 5,846           | 5,893           |
| Gain or loss on sale of HRA non current assets  | (400)           | (848)           |
| HRA Share of Contributions to or from the Pension Reserve   | 0               | 0               |
| Transfers to/(from) Major Repairs Reserve   | (5,846)         | (5,893)         |
| Transfers to/(from) Housing Repairs Account   | 0               | 0               |
| Capital expenditure funded by the HRA   | (785)           | (1,009)         |
| <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>  | <b>(1,185)</b>  | <b>(1,857)</b>  |

## HOUSING REVENUE ACCOUNT

### Transfers to/from Reserves

|  | 2022/23<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| Transfers (to)/from earmarked reserves       | 0               | 0               |
| Transfers (to)/from Capital Grants Unapplied | 0               | 0               |
| <b>Total Transfers</b>                       | <b>0</b>        | <b>0</b>        |

## HOUSING REVENUE ACCOUNT

### G3. Property, Plant and Equipment

|  | Council Dwellings | Operational Building | Vehicles, Plant and Equipment | Surplus Asset | Assets under construction | Intangible   | Total PP&E     |
|--|-------------------|----------------------|-------------------------------|---------------|---------------------------|--------------|----------------|
|  |                   | £000                 | £000                          | £000          | £000                      | £000         | £000           |
| <b>Cost or Valuation</b>                               |                   |                      |                               |               |                           |              |                |
| <b>Balance as at 1st April 2022</b>                    | <b>337,590</b>    | <b>4,204</b>         | <b>534</b>                    | <b>1,520</b>  | <b>6,461</b>              | <b>713</b>   | <b>326,822</b> |
| Adjustments re prior years                             | (6,750)           | (114)                | 0                             | 0             | (6,461)                   | 377          | (12,948)       |
| <b>Adjusted opening balance</b>                        | <b>330,840</b>    | <b>4,090</b>         | <b>534</b>                    | <b>1,520</b>  | <b>0</b>                  | <b>1,090</b> | <b>338,074</b> |
| Additions  | 7,460             | 0                    | 0                             | 0             | 0                         | 350          | 7,810          |
| Revaluation increases/decreases to Revaluation Reserve | 16,908            | 16                   | 0                             | 0             | 0                         | 0            | 16,924         |
| Derecognition - Disposals                              | (2,422)           | 0                    | 0                             | 0             | 0                         | 0            | (2,422)        |
| Other movements  | 0                 | 0                    | 0                             | 0             | 0                         | 0            | 0              |
| <b>Balance as at 31st March 2023</b>                   | <b>352,786</b>    | <b>4,106</b>         | <b>534</b>                    | <b>1,520</b>  | <b>0</b>                  | <b>1,440</b> | <b>360,386</b> |
| <b>Depreciation and Impairment</b>                     |                   |                      |                               |               |                           |              |                |
| <b>Balance as at 1 April 2022</b>                      | <b>(12)</b>       | <b>(15)</b>          | <b>(609)</b>                  | <b>0</b>      | <b>0</b>                  | <b>(17)</b>  | <b>(637)</b>   |
| Adjustments re prior years                             | 0                 | (15)                 | 0                             | 0             | 0                         | (52)         | (67)           |
| <b>Adjusted opening balance</b>                        | <b>(12)</b>       | <b>0</b>             | <b>(609)</b>                  | <b>0</b>      | <b>0</b>                  | <b>(69)</b>  | <b>(690)</b>   |
| Depreciation Charge                                    | (5,536)           | (189)                | (104)                         | 0             | 0                         | (17)         | (5,846)        |
| Depreciation written out on Revaluation Reserve        | 5,536             | 189                  | 0                             | 0             | 0                         | 0            | 5,725          |
| <b>Balance as at 31st March 2023</b>                   | <b>(12)</b>       | <b>0</b>             | <b>(713)</b>                  | <b>0</b>      | <b>0</b>                  | <b>(86)</b>  | <b>(811)</b>   |
| <b>Net Book Value</b>                                  |                   |                      |                               |               |                           |              |                |
| <b>Balance as at 31st March 2023</b>                   | <b>352,774</b>    | <b>4,106</b>         | <b>(179)</b>                  | <b>1,520</b>  | <b>0</b>                  | <b>1,354</b> | <b>359,575</b> |
| <b>Balance as at 31st March 2022</b>                   | <b>337,578</b>    | <b>4,189</b>         | <b>(75)</b>                   | <b>1,520</b>  | <b>6,461</b>              | <b>696</b>   | <b>349,673</b> |

## HOUSING REVENUE ACCOUNT

### Prior year

|  | Council Dwellings | Operational Building | Vehicles, Plant and Equipment | Surplus Asset | Assets under construction | Intangible  | Total PP&E     |
|--|-------------------|----------------------|-------------------------------|---------------|---------------------------|-------------|----------------|
|  |                   | £000                 | £000                          | £000          | £000                      | £000        | £000           |
| <b>Cost or Valuation</b>   |                   |                      |                               |               |                           |             |                |
| <b>Balance as at 1st April 2021</b>  | <b>314,103</b>    | <b>4,041</b>         | <b>534</b>                    | <b>1,520</b>  | <b>0</b>                  | <b>395</b>  | <b>320,198</b> |
| Adjustments re prior years   | 0                 | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| <b>Adjusted opening balance</b>  | <b>314,103</b>    | <b>4,041</b>         | <b>534</b>                    | <b>1,520</b>  | <b>0</b>                  | <b>395</b>  | <b>320,198</b> |
| Additions  | 486               | 0                    | 0                             | 0             | 6,461                     | 318         | 6,461          |
| Revaluation increases/decreases to Revaluation Reserve   | 27,451            | 307                  | 0                             | 0             | 0                         | 0           | 307            |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services               | 0                 | 28                   | 0                             | 0             | 0                         | 0           | 28             |
| Derecognition - Disposals  | (4,450)           | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| Other movements  | 0                 | (171)                | 0                             | 0             | 0                         | 0           | (171)          |
| <b>Balance as at 31st March 2022</b>   | <b>337,590</b>    | <b>4,204</b>         | <b>534</b>                    | <b>1,520</b>  | <b>6,461</b>              | <b>713</b>  | <b>326,822</b> |
| <b>Depreciation and Impairment</b>   |                   |                      |                               |               |                           |             |                |
| <b>Balance as at 1 April 2021</b>  | <b>(12)</b>       | <b>0</b>             | <b>(505)</b>                  | <b>0</b>      | <b>0</b>                  | <b>0</b>    | <b>(517)</b>   |
| Adjustments re prior years   | 0                 | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| <b>Adjusted opening balance</b>  | <b>(12)</b>       | <b>0</b>             | <b>(505)</b>                  | <b>0</b>      | <b>0</b>                  | <b>0</b>    | <b>(517)</b>   |
| Depreciation Charge  | 0                 | (187)                | (104)                         | 0             | 0                         | (17)        | (291)          |
| Depreciation written out on Revaluation Reserve  | 0                 | 171                  | 0                             | 0             | 0                         | 0           | 171            |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 0                 | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| Impairment losses/reversals to Revaluation Reserve   | 0                 | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services                   | 0                 | 0                    | 0                             | 0             | 0                         | 0           | 0              |
| <b>Balance as at 31st March 2022</b>   | <b>(12)</b>       | <b>(15)</b>          | <b>(609)</b>                  | <b>0</b>      | <b>0</b>                  | <b>(17)</b> | <b>(637)</b>   |
| <b>Net Book Value</b>  |                   |                      |                               |               |                           |             |                |
| <b>Balance as at 31st March 2022</b>   | <b>337,578</b>    | <b>4,189</b>         | <b>(75)</b>                   | <b>1,520</b>  | <b>6,461</b>              | <b>696</b>  | <b>349,673</b> |
| <b>Balance as at 31st March 2021</b>   | <b>314,091</b>    | <b>4,041</b>         | <b>29</b>                     | <b>1,520</b>  | <b>0</b>                  | <b>395</b>  | <b>319,681</b> |



## HOUSING REVENUE ACCOUNT

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

## HOUSING REVENUE ACCOUNT

### G4. Housing Stock

The number of dwellings in the Authority's housing stock as at 31 March 2023 totalled 5,565 properties. The types of properties are analysed below:

|  | 2022/23      | 2021/22      |
|--|--------------|--------------|
|  | Number       | Number       |
| <b>Property Type</b>                                       |              |              |
| Flats and Maisonettes<br>(Blocks up to and incl. 2 Storey) |              |              |
| 1 Bed  | 1,528        | 1,532        |
| 2 Bed  | 532          | 533          |
| 3 Bed  | 28           | 29           |
| <b>Sub-Total</b>   | <b>2,088</b> | <b>2,094</b> |
| Non Permanent  | 41           | 41           |
| <b>Sub-Total</b>   | <b>41</b>    | <b>41</b>    |
| Houses / Bungalows   |              |              |
| 1 Bed  | 653          | 653          |
| 2 Bed  | 843          | 852          |
| 3 Bed  | 1,777        | 1,798        |
| 4 or More  | 163          | 165          |
| <b>Sub-Total</b>   | <b>3,436</b> | <b>3,468</b> |
| <b>Total Dwellings 31 March</b>                            | <b>5,565</b> | <b>5,603</b> |

### G5. Housing Revenue Account Capital Expenditure

|   | 2022/23      | 2021/22      |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Capital investment</b>                             |              |              |
| Operational assets                                    | 7,460        | 6,947        |
| Intangible Assets                                     | 350          | 318          |
| Revenue Expenditure funded from Capital under Statute |              | 0            |
| <b>Totals</b>   | <b>7,810</b> | <b>7,265</b> |
| <b>Sources of funding</b>                             |              |              |
| Borrowing   | 0            | 0            |
| Capital Receipts                                      | 1,025        | 1,064        |
| Major Repairs Reserve                                 | 6,000        | 5,192        |
| Direct Revenue Financing                              | 785          | 1,009        |
| <b>Totals</b>   | <b>7,810</b> | <b>7,265</b> |

### G6. Rent Arrears

During 2022/23, total rent arrears remained broadly the same. A summary of rent arrears and prepayments are shown in the following table:

|                           | 2022/23      | 2021/22      |
|---------------------------|--------------|--------------|
|                           | £000         | £000         |
| Current Tenant Arrears    | 1,570        | 1,426        |
| Former Tenant Arrears     | 479          | 542          |
| <b>Total Rent Arrears</b> | <b>2,049</b> | <b>1,968</b> |
| Prepayments               | 0            | (604)        |
| <b>Net Rent Arrears</b>   | <b>2,049</b> | <b>1,364</b> |

The rent arrears and prepayments exclude supporting people balances.

## HOUSING REVENUE ACCOUNT

### G7. Depreciation and Impairment of Non-Current Assets

|  | 2022/23      |            | 2021/22      |            |
|--|--------------|------------|--------------|------------|
|  | £000         |            | £000         |            |
|  | Depreciation | Impairment | Depreciation | Impairment |
| Council Dwellings                        | 5,536        | 0          | 5,592        | 0          |
| Other Land and Buildings                 | 189          | 0          | 180          | 0          |
| Vehicles, Plant, Furniture and Equipment | 104          | 0          | 104          | 0          |
| Intangible Assets                        | 17           | 0          | 17           | 0          |
| <b>Total</b>                             | <b>5,846</b> | <b>0</b>   | <b>5,893</b> | <b>0</b>   |

### G8. Retirement Benefits

As part of 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.

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.

| HRA Income & Expenditure Account  | 2022/23<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Current Service Cost  | 0               | 0               |
| Past Service Costs  | 0               | 0               |
| Net interest expense  | 0               | 0               |
| <b>Total</b>  | <b>0</b>        | <b>0</b>        |
| Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 0               | 0               |
| <b>Movement on Pension Reserve</b>  | <b>0</b>        | <b>0</b>        |

Pension costs for the Housing Revenue Account are charged to the Council and recharged to the HRA.

### G9. Total Capital Receipts Generated during the year.

|                                   | 2022/23<br>£000 | 2021/22<br>£000 |
|-----------------------------------|-----------------|-----------------|
| Land                              | 0               | 0               |
| Council Houses                    | 2,871           | 5,394           |
| Other Property                    | -               | -               |
| <b>Sub Total</b>                  | <b>2,871</b>    | <b>5,394</b>    |
| Disposal Costs                    | (49)            | (96)            |
| <b>Total HRA capital receipts</b> | <b>2,822</b>    | <b>5,298</b>    |

# COLLECTION FUND

## COLLECTION FUND

### H1. The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligations 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.

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2023/24 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2022/23 can be spread over three years from 2023/24 to 2025/26.

| 2021/22         |                 |                 | Collection Fund  | 2022/23         |                 |                 |
|-----------------|-----------------|-----------------|--|-----------------|-----------------|-----------------|
| Business Rates  | Council Tax     | Total           |  | Business Rates  | Council Tax     | Total           |
| £000            | £000            | £000            |  | £000            | £000            | £000            |
|                 |                 |                 | <b>INCOME</b>  |                 |                 |                 |
|                 | (49,362)        | (49,362)        | Council Tax Receivable   |                 | (53,217)        | (53,217)        |
| (20,026)        |                 | (20,026)        | Business Rates Receivable  | (31,308)        |                 | (31,308)        |
| <b>(20,026)</b> | <b>(49,362)</b> | <b>(69,388)</b> | <b>Total amounts to be credited</b>  | <b>(31,308)</b> | <b>(53,217)</b> | <b>(84,525)</b> |
|                 |                 |                 | <b>EXPENDITURE</b>   |                 |                 |                 |
|                 |                 |                 | <b>Apportionment of Previous Year Surplus/Deficit</b>                        |                 |                 |                 |
| 1,009           |                 | 1,009           | Central Government   | 297             |                 | 297             |
| 504             | 117             | 621             | Redditch Borough Council   | 238             | 180             | 417             |
| 1,237           | 616             | 1,853           | Worcestershire County Council  | 53              | 970             | 1,024           |
| 28              | 41              | 69              | Hereford and Worcestershire Fire and Rescue                                  | 6               | 66              | 72              |
|                 | 106             | 106             | Police and Crime Commissioner for West Mercia                                |                 | 174             | 174             |
|                 |                 |                 | <b>Precepts, demands and shares</b>  |                 |                 |                 |
| 16,722          |                 | 16,722          | Central Government   | 16,711          |                 | 16,711          |
| 13,378          | 6,425           | 19,803          | Redditch Borough Council   | 13,369          | 6,762           | 20,131          |
| 3,010           | 34,450          | 37,460          | Worcestershire County Council  | 3,008           | 37,080          | 40,088          |
| 334             | 2,260           | 2,594           | Hereford and Worcestershire Fire and Rescue                                  | 334             | 2,373           | 2,707           |
|                 | 5,917           | 5,917           | Police and Crime Commissioner for West Mercia                                |                 | 6,628           | 6,628           |
|                 |                 |                 | <b>Charges to Collection Fund</b>  |                 |                 |                 |
| 671             | 692             | 1,363           | Increase/(decrease) in allowance for impairment                              | 8               |                 | 8               |
| 3,822           |                 | 3,822           | Increase/(decrease) in allowance for appeals                                 | 381             | 443             | 824             |
| 619             |                 | 619             | Transitional Protection Payments Payable                                     | 3,589           |                 | 3,589           |
|                 |                 |                 | <b>Charges to General Fund</b>   | 394             |                 | 394             |
| 106             |                 | 106             | Charge to General Fund for allowable collection costs for non-domestic rates | 104             |                 | 104             |
| <b>41,440</b>   | <b>50,624</b>   | <b>92,064</b>   | <b>Total amounts to be debited</b>   | <b>38,492</b>   | <b>54,675</b>   | <b>93,167</b>   |
| <b>21,414</b>   | <b>1,262</b>    | <b>22,676</b>   | <b>(Surplus) /deficit arising during the year</b>                            | <b>7,184</b>    | <b>1,459</b>    | <b>8,642</b>    |
| (5,291)         | (471)           | (5,762)         | (Surplus)/deficit b/f at 1 April   | 1,893           | 147             | 2,040           |
| <b>16,123</b>   | <b>791</b>      | <b>16,914</b>   | <b>(Surplus)/deficit c/f at 31 March</b>                                     | <b>9,076</b>    | <b>1,606</b>    | <b>10,683</b>   |

# COLLECTION FUND

## H2. 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<sup>ST</sup> MARCH 2023

| Band |                   | Valuation band limits |           | Calculated number of dwellings | Adjusted number of dwellings | Ratio to Band D | Equated number of dwellings | Council Tax Payable |
|------|-------------------|-----------------------|-----------|--------------------------------|------------------------------|-----------------|-----------------------------|---------------------|
|      |                   | £                     | £         |                                |                              |                 |                             |                     |
|      |                   |                       |           | 20                             | 11.60                        | 5/9             | 6.44                        | 141.19              |
| A    | Up to & including | 40,000                |           | 7,788                          | 4,581.70                     | 6/9             | 3,054.47                    | 169.43              |
| B    |                   | 40,001                | - 52,000  | 12,055                         | 9,411.20                     | 7/9             | 7,319.82                    | 197.67              |
| C    |                   | 52,001                | - 68,000  | 7,821                          | 6,810.40                     | 8/9             | 6,053.69                    | 225.91              |
| D    |                   | 68,001                | - 88,000  | 4,406                          | 4,022.50                     | 9/9             | 4,022.50                    | 254.15              |
| E    |                   | 88,001                | - 120,000 | 3,382                          | 3,190.80                     | 11/9            | 3,899.87                    | 310.63              |
| F    |                   | 120,001               | - 160,000 | 1,260                          | 1,205.80                     | 13/9            | 1,741.71                    | 367.11              |
| G    |                   | 160,001               | - 320,000 | 468                            | 448.10                       | 15/9            | 746.83                      | 423.58              |
| H    | More Than         |                       | 320,001   | 19                             | 19.00                        | 18/9            | 38.00                       | 508.30              |

Adjustment 0.99

Council tax base 26,546.63

### FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2022

| Band |                   | Valuation band limits |           | Calculated number of dwellings | Adjusted number of dwellings | Ratio to Band D | Equated number of dwellings | Council Tax Payable |
|------|-------------------|-----------------------|-----------|--------------------------------|------------------------------|-----------------|-----------------------------|---------------------|
|      |                   | £                     | £         |                                |                              |                 |                             |                     |
|      |                   |                       |           | 21                             | 11.80                        | 5/9             | 6.56                        | 138.42              |
| A    | Up to & including | 40,000                |           | 7,727                          | 4,554.90                     | 6/9             | 3,036.60                    | 166.10              |
| B    |                   | 40,001                | - 52,000  | 12,057                         | 9,345.20                     | 7/9             | 7,268.49                    | 193.78              |
| C    |                   | 52,001                | - 68,000  | 7,836                          | 6,795.20                     | 8/9             | 6,040.18                    | 221.47              |
| D    |                   | 68,001                | - 88,000  | 4,386                          | 3,993.70                     | 9/9             | 3,993.70                    | 249.15              |
| E    |                   | 88,001                | - 120,000 | 3,388                          | 3,196.00                     | 11/9            | 3,906.22                    | 304.52              |
| F    |                   | 120,001               | - 160,000 | 1,259                          | 1,201.20                     | 13/9            | 1,735.07                    | 359.88              |
| G    |                   | 160,001               | - 320,000 | 465                            | 442.80                       | 15/9            | 738.00                      | 415.25              |
| H    | More Than         |                       | 320,001   | 19                             | 18.00                        | 18/9            | 36.00                       | 498.30              |

Adjustment 0.98

Council tax base 26,225.58

The breakdown above is for Redditch Borough Council only. Below is the total payable for Band D equivalent for all preceptors:

|  | 2022/23 | 2021/22 |
|--|---------|---------|
|--|---------|---------|

## COLLECTION FUND

|   | £               | £               |
|---|-----------------|-----------------|
| Redditch Borough Council                                    | 254.15          | 249.15          |
| Worcestershire County Council                               | 1,396.78        | 1,343.83        |
| Police and Crime Commissioner for West Mercia               | 249.66          | 240.19          |
| Hereford and Worcestershire Fire and Rescue                 | 89.40           | 87.68           |
| <b>Total Council Tax for non parish areas</b>               | <b>1,989.99</b> | <b>1,920.85</b> |
| Parish Councils (Average)                                   | 40.05           | 27.23           |
| <b>Average Council Tax for the District in parish areas</b> | <b>2,030.04</b> | <b>1,948.08</b> |

### H3. 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 2022/23 the rate poundage was 51.2p (no change from 2021/22). 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 B6**.

The total rateable value at 31 March 2023 was £82,141,970 (2021/22 £82,141,970).

For 2022/23, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

# ANNUAL GOVERNANCE STATEMENT

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## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and 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 Council's 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 2023 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

The framework to deliver good governance across the Council's 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 Council's 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.
- Council has approved financial Regulations and Contract Procedure Rules. 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.

# ANNUAL GOVERNANCE STATEMENT

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- 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, chair 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 fourth 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.
- Financial management arrangements have been in place during the year through regular quarterly combined finance and performance monitoring reports, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. However, the new enterprise system which was implemented on 8 February 2021 has caused issues which have resulted in S24 Recommendations to be issued by the Council's External Auditors for non-delivery of Statement of Accounts. A financial recovery process is in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Governance and Standards Committee.
- 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 2022/23.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's 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 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 2022/23, 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.



# ANNUAL GOVERNANCE STATEMENT

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## 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 2022/23 the Internal Audit team delivered a comprehensive programme including:

- 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, procurement, projects, grants, and GDPR 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.

In relation to the cc reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited.'

## Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that the Council in November 2023 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 to 2022/23 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. In respect of Governance Arrangements relating to the 2021/22 financial year:

- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding.
- Of the 6 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there were 10 in the report).
- There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.
- Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report

The 2021/22 and 2022/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:

- The 2020/21 to 2022/23 Account must be completed and Audited by the date of the next Audit report to ensure there is full confidence in the Council's finances.
- The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure

# ANNUAL GOVERNANCE STATEMENT

that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities

- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members and Stakeholders is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, put out for public consultation, and the requirement for a final “audit report” to have been received, this set of accounts is the final stage in this process. 2020/21 and 2021/22 Accounts have been made public and put out to public consultation in early October 2024.
- The Council has put in place a Financial Recovery process to get accounts up to date. Following December 2024, this will be reviewed. Since Q1 2023 the Audit Standards and Governance Committee have met six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council’s accounts are up to date.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions. Wider consultation will be delivered in Q3 2024 for the 2025/26 budget.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment. This regime also includes how formal project monitoring is delivered.
- The Workforce Strategy is moving forward with monthly meetings reviewing the action plan and delivery against it.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 80.

## 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

# INTERNAL AUDITORS' REPORT

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## INTERNAL AUDITORS' REPORT

### Head of Internal Audit Opinion

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.

2022/23 was a very challenging year regarding the control environment in certain areas of the Council. Remote working has continued since the pandemic. Turnover of staff for the Authority has remained high which has created its own challenges within certain Services including Finance. The loss of staff and experience impacted the Finance Team along with the continuing development of the new financial system. Coupled with a S24 Notice being given by External Audit it has resulted in a very challenging control environment. Potential risk in the core financial areas has remained due to the continuing development of a cash receipting module but there has been an improving position. Appropriate and proportionate remote access to files and systems remained in place and there is an understanding of the cyber risks that could impact the Authority. Risk Management has been relaunched and is starting to become more widely discussed and managed in the organisation and reported to the Audit, Governance and Standards Committee on a regular basis.

### **Overall Governance Conclusion**

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 2022/23 managed the principal risks in several areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2022/23 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Council 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. The financial system implementation introduced some key risks into the financial areas of the Council. These are ongoing at present until the cash receipting module is fully developed and fit for purpose with reconciliations linked to this fully up to date. Development has continued during 2022/23 and the organisation is in a better position than it was. Audit reviews continue to highlight risk in certain financial areas, e.g. budget monitoring, reconciliations. Limited assurance was reported against Debtors and Main Ledger reflecting the ongoing risk that exists. Overall progress has been made to address the issues the new system introduced and 2022/23 has seen an improving position which is set to last as the cash receipting module continues through its development and testing cycle.

### **Risk Management Conclusion**

The Head of Internal Audit can confirm the further development of the formal risk management system has progressed over the past twelve months under the direction of the S151 Officer with a view to achieving a better embedded approach for the future. This area had been relaunched on several occasions in recent years and has been a topic for corporate review for several years but over the last twelve months there has been more traction and improved reporting. Due to the development and reporting in this area during the past twelve months Audit have reported on progress. There has also been scrutiny from the Strategic Management Team and Committee. Further internal audit work is planned in 2023/24. Risk management has been present in some form in several Services, but it was not coordinated to allow for a joined-up view of risk from a corporate perspective. This is starting to change but there is further work to be done. There continues to be buy in from the whole of the management team and continuing progress will be monitored before Committee.

### **Audit Opinion**

The internal audit of Redditch Borough Council's systems and operations during 2022/23 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 28 July 2022 and any subsequent revisions.

## INTERNAL AUDITORS' REPORT

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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. During 2022/23 the shared service conformed 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.

The Internal Audit Plan for 2022/2023 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, procurement, fuel usage, projects, grants, gas compliance, asbestos and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems

The 2022/23 internal audit plan was revised due to changing circumstances and restrictions regarding resources. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 19 reviews were taken into consideration. Areas which returned a level of 'limited' were debtors and main ledger.

To mitigate risk a clear management action plan was formulated to address all issues identified across the plan. Comprehensive management action plans were agreed and the s151 Officer informed. There remains a clear understanding that further work is required to embed risk management throughout the organisation and to further development the cash receipting element of the financial system. This is set to continue under the direction of the s151 Officer.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. The financial system and budget monitoring was a key theme identified specifically in some of the returns which will be picked up directly with management including. No areas of significant risk have been identified in addition to those already identified during the year.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

There has been a wide spectrum of assurance applied to the reviewed areas during 2022/23. The implementation of the new finance system created risk hotspots which are being addressed. Audits that 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 give some balance to the overall picture. Any assurance provided is limited to the areas of the system where controls are in place and are operating effectively. Critical friend reviews are used to assist a Service area to move forward and provide support, guidance and an independent view when there is transformation happening. It is difficult to draw a comparison with the previous year results and corporate position as the reviews are not like for like apart from the core financial areas. An improvement has been seen for creditors but there remain challenges in other areas as already reported.

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 some assurance based on the audits performed in accordance with the plan and the scoping therein.

Andy Bromage  
Head of Internal Audit Shared Service  
Worcestershire Internal Audit Shared Service  
May 2023

# GLOSSARY

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## GLOSSARY

### AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

### AA FITCH RATING

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

### A FITCH RATING

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

### ACCOUNTING PERIOD

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

### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### ASSET

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

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

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

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

### BORROWING

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

### BUDGET

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

### CAPITAL EXPENDITURE

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

## GLOSSARY

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### **CAPITAL FINANCING**

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

### **CAPITAL PROGRAMME**

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

### **CAPITAL RECEIPT**

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

### **CLAW-BACK**

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

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

### **COLLECTION FUND**

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

### **COMMUNITY ASSETS**

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

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

### **CONSISTENCY**

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

### **CONTINGENT ASSET**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

### **CORPORATE AND DEMOCRATIC CORE**

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

### **CREDITOR**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

## GLOSSARY

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### **DEBTOR**

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

### **DEFINED BENEFIT PENSION SCHEME**

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

### **DEPRECIATION**

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

### **DISCRETIONARY BENEFITS (PENSIONS)**

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

### **EQUITY**

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

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

### **EXPECTED RETURN ON PENSION ASSETS**

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

### **FAIR VALUE**

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

### **FINANCE LEASE**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS**

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

### **HOUSING BENEFITS**

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

### **HOUSING REVENUE ACCOUNT (HRA)**

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

### **IMPAIRMENT**

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

# GLOSSARY

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## INFRASTRUCTURE ASSETS

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

## INTANGIBLE ASSETS

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

## INTEREST COST (PENSIONS)

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

## INVESTMENTS (PENSION FUND)

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

## LIABILITY

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

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

## LIQUID RESOURCES

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

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

## LONG-TERM CONTRACT

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

## MATERIALITY

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

## MINIMUM REVENUE PROVISION (MRP)

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

## NET BOOK VALUE

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

## NET DEBT

The Authority's borrowings less cash and liquid resources.

## NON-DISTRIBUTED COSTS

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

## NON-DOMESTIC RATES (NDR)

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



## GLOSSARY

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### **NON-OPERATIONAL ASSETS**

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

### **OPERATING LEASE**

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

### **OPERATIONAL ASSETS**

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

### **PAST SERVICE COST (PENSIONS)**

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

### **PENSION SCHEME LIABILITIES**

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

### **PRECEPT**

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

### **PRIOR YEAR ADJUSTMENT**

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

### **PROVISION**

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

### **PUBLIC WORKS LOAN BOARD (PWL B)**

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

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

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

### **RELATED PARTY TRANSACTIONS**

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

### **REMUNERATION**

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

# GLOSSARY

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## **RESERVES**

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

## **RESIDUAL VALUE**

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

## **RETIREMENT BENEFITS**

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

## **REVENUE EXPENDITURE**

**The day-to-day expenses of providing services.**

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

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

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

## **REVENUE SUPPORT GRANT**

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

## **STOCKS**

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

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

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

## **USEFUL ECONOMIC LIFE (UEL)**

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

## **WORCESTERSHIRE PENSION FUND (WPF)**

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.