

**Redditch Borough Council  
Statement of Accounts  
2012/13**

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## ***Explanatory foreword***

### **1. A word from Council Leader Bill Hartnett**

Like all local Councils nationally we have felt the pinch of the economic climate and, coupled with reduced local government grants, face cuts and now need to make savings.

Sharing services with Bromsgrove District Council, a project which started more than five years ago, has seen us in a stronger position than other colleagues across the country. But the financial challenge still remains as we strive to deliver the services which are important to our customers yet balance the books. Our transformation project is key to making this year's savings and meeting the future demands on the public coffers which I predict will ensue.

By transforming our services we are putting the customer at the heart of everything we do and delivering services more efficiently – but to meet residents' needs.

Take the "Locality Project" at Winyates for example. Rather than just send out letter after letter to people who haven't paid their rent, we meet with the tenant and find out what the issues really are and aim to see what we can do to help and assist. This could then see us working with partners to offer help and support for a variety of issues including drug dependency, a dependant with disabilities or special needs as well as checking on benefit advice and entitlement.

This means that the customer can get on top of their finances and we can target our resources elsewhere. This is just a summary of the project and we are applying this approach to lots of our services to encourage further savings without axing important services.

This doesn't take away from the difficult decisions that we have had to make along the way but I am proud that we have delivered free swimming for our older and younger residents, led a successful campaign to sign up more than 50 apprentices and re introduced the pre-9.30am concessionary bus passes in the Borough.

### **About Redditch**

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

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

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

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

In the last year Redditch has:-

- ***achieved a gold award in the Heart of England in Bloom Competition***

The Heart of England competition is entered by more than 1,000 cities, villages and towns each year. Redditch Borough Council's entry scooped the Gold prize for the second year running. Highlights for the judges included the new garden at St Stephens School, the work done by Where Next, the garden

at Harry Taylor House, the solar panels on Council buildings and the Samurai exhibition at Forge Mill. Winners of the regional competition were announced during a ceremony in Kings Heath in September and Council officers involved in the 2012 campaign and Cllr Debbie Taylor picked up the award. Next year (2013) the team hope to get a hat-trick and win gold with the help of community groups and residents from across the borough.

- ***launched the 50 in 50 Apprenticeship challenge***

The Redditch Apprenticeship Challenge aimed to get employers to commit to creating 50 new apprentices in just 50 days. The campaign was launched in January with an event at the Kingfisher Shopping Centre. During the 50 days many local companies, including Muffin Break, Lexion and Peterson Springs, rose to the challenge and were incredibly supportive of the campaign. Officers from Redditch Borough Council worked with other organisations such as Worcestershire County Council and NEW College to host a series of events to show businesses and residents that apprenticeships are a good thing. The campaign managed to achieve 52 new apprenticeship places across the Borough.

- ***become a front-runner for joint working, especially with the development of the Locality Project.***

While most local authorities, in the current financial climate, are looking to cut front line services, Redditch Borough Council is transforming its services – and investing in face to face customer contact. Take the rent arrears service at Redditch. As the team went through Transformation, using the Vanguard approach, they launched a trial 'Locality Project' which based a number of officers in one of the Borough's areas of highest need, Winyates. The Team met their customers and rather than focusing on national targets of rent recovery, the officers took a look behind the real life issues affecting their customers, such as drug addiction, abusive relationships and mental health issues. 'No change is not an option' for local government and Redditch Borough Council are proving that change really can be beneficial.

- ***joined in and helped people celebrate major events in 2012***

It's not all boring schemes and projects here at the Council; 2012 saw two major national events – the London Olympics and the Queen's Diamond Jubilee. The Olympic torch was carried right through the middle of the town centre on its tour of the UK and a large number of residents came out to witness such an historic moment. We also helped people celebrate these two big events by hosting special events around the town and allowing people to have street parties – the cost of which was frequently covered by our stronger community grants. Our staff also enjoyed celebrating and it was a patriotic year all round with red, white and blue flags flying long after the events had finished. Let's hope the community spirit can be captured by our teams for next year to make Redditch even better!

## **2. The Accounting Statements**

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2013. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

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

### **Movement in Reserves Statement**

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

## **Comprehensive Income and Expenditure Statement**

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

## **Balance Sheet**

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

## **Cash Flow Statement**

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

## **Notes to the Accounts**

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

## **Housing Revenue Account (HRA) Income & Expenditure Account**

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

## **Collection Fund**

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

## **3. Review of the Financial Year**

This section sets out the key features of the Council's financial performance for 2012/13.

### **General Fund**

There was a small overspend on General Fund during this period resulting in a use of balances of £74K. This was mainly due to an underachievement of income across the council.

The outturn position is summarised below:

	Approved budgets 2012/13 £'000	Actual 2012/13 £'000	Variance £'000
Chief Executive	111	111	-
Finance & Resources	149	(16)	(165)
Leisure, Environmental & Community Services	5,048	4,980	(68)
Planning, Regeneration, Regulatory & Housing	287	265	(22)
Support Services	5,070	5,002	(68)
Savings unidentified	(433)	-	433
<b>Net Directorate expenditure</b>	<b>10,232</b>	<b>10,342</b>	<b>110</b>
Other	582	546	(36)
<b>Total General Fund Expenditure</b>	<b>10,814</b>	<b>10,888</b>	<b>74</b>
Income from Grants & Local Taxation	(10,814)	(10,814)	-
<b>Contribution (to)/from General Fund Balances</b>	<b>-</b>	<b>74</b>	<b>74</b>

### Housing Revenue Account (HRA)

The statement of accounts also includes the ring-fenced Housing Revenue Account for the provision of Council Housing. The final position of the HRA resulted in an overspend of £101,141 which reduced the balances held to £817,000.

In April 2012 the current Housing Revenue Account subsidy system was replaced by self-financing, which means the Housing Revenue Account is now a self-sufficient ring fenced account which will retain and use rental income to meet all its management, maintenance and capital commitments. The Council has created a 30 year business plan which covers the cost of borrowing and the proposed capital spend over the period to maintain the Council homes at Decent Homes Standard. The Council budgeted for £2 million to be earmarked for contribution towards the capital programme and to repay debt but the actual figure contributed was £3 million, the extra million coming from a reduction in the interest rate than was originally anticipated.

The reserve for contributions to repay debt now stands at £9.491 million, the major repairs reserve has a balance of £1.510 million and there is a working balance on the HRA of £817,000, which together total £11.818 million.

### Capital Spending

	Approved budgets 2012/13 £'000	Actual 2012/13 £'000	Variance £'000
General Fund	5,998	2,242	(3,756)
Housing	8,501	6,086	(2,415)
<b>Total</b>	<b>14,499</b>	<b>8,328</b>	<b>(6,171)</b>

The Council incurred capital expenditure of £8,328 million during 2012/13; the majority of this (over £6 million) being spent on Council Housing and £2.2 million has been spent on General Fund services such as vehicle replacements, work on council buildings and home improvement grants.

The actual expenditure for the year was significantly less than the approved budget. Budgeted replacement of waste collection vehicles was delayed pending the introduction of route optimisation in June 2014. Budget provision for housing stock improvements was increased for 2012/13 following introduction of self-funding for the Housing Revenue Account. Slippage occurred due to delay in

procuring work and starting contracts. Take up of Disabled Facilities and home repairs grants was less than anticipated.

<b>Financing source</b>	<b>£'000</b>
Grants & contributions	463
Capital Receipts	287
MRA	5,914
Borrowing	1,557
Revenue	107
<b>Total</b>	<b>8,328</b>

### **Borrowing**

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

### **Investments**

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

### **Corporate Governance**

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

### **Shared Services**

The Council has continued to work with Bromsgrove District Council to develop shared services. This has created savings as well as resilience. A number of shared services began from the 1st April 2012, including Financial Services, Legal and Democratic Services, Environmental Services Management, Housing Strategy and Customer Services. Revenue Services joined these during February 2013. In addition to this Redditch, continues to work with other authorities in Worcestershire.

### **Planned Future Developments**

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

### **Economic Outlook**

The Council has received its provisional settlement figures from Government for 2013/14 and 2014/15, which are lower than originally estimated. The actual change to the authority from 2009/10 to 2014/15 equates to a 41% cut in funding. This means that Redditch will need to have cut £2.3 million from its budgets by 2014/15.

The Council has managed to achieve savings over the last few years in recognition of the economic climate. Officers have ensured that areas of non-essential expenditure are limited and procurement

advice and support has been fundamental to achieving savings through renegotiation of contracts. Where possible, vacancies have been held open unless there is an urgent need for the post.

The current balances position of £1.0m is in excess of the prudent level recommended.

The Council has started an innovative programme of transformation using the systems thinking methodology. Systems are mapped out to identify any areas of waste and duplication of work within the process. The aim is to reduce the waste and to ensure that processes provide an easy and improved service to the customer whilst realising savings. As shared services have become more embedded across the Council focus has moved to the delivery of the transformation programme. The programme is enabling the Council to radically change the way it delivers services to the customer as well as making savings. In the last year transformational work has started in some of the core services including Housing, Planning, Environment and Leisure. The Council is also looking at some of the more internal services including IT, HR, Stores and Print, to ensure waste is driven from the organisation and to improve customer service. As well as carrying out transformational work in services the council has also developed a set of strategic purposes based on what our customers say to both officers and Members. The strategic purposes are the cornerstone of the Council Plan and will guide everything we do over the next year. The Council is also developing a set of measures to ensure it delivers the strategic purposes. The Council has also started a Locality based intervention in the Winyates area. The Winyates Locality Trial is seeking to find a way to deliver a service that is designed to identify the underlying issues affecting the customer (the real problem); provide the right support to the customer when it is needed; prevent needs from escalating into more complex issues thus reducing the need for support and preventing unresolved and repeat demands coming into our services.

A number of specific savings were included in the 2013/14 budget reports and are therefore already assumed in the Council's future Medium Term Financial Plan.

### **Accounts and Audit Regulations**

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

# Annual Governance Statement 2012/13

## 1. Scope and responsibility

Redditch Borough Council is responsible for ensuring that:

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

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

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

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

## 2. The purpose of the governance framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

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

## 3. The governance framework

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

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

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget. The Council is looking to move towards Strategic Purposes as part of the transformational work that is being undertaken and the purposes are to be presented to Members in the summer of 2013.



- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- The residents magazine “Redditch Matters” is available online 3 times per year
- Progress against the Council Plan’s targets and actions are monitored monthly at Corporate Management Team and Executive. In addition key projects are managed through the Project Management Board
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- The budget jury undertakes annual reviews of the priorities and the link to the budget considerations.
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- The Community Strategy and Annual Report articulate the Council’s activities and achievements
- The Council’s budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Executive, Overview and Scrutiny and Full Council
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

**Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles**

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

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

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

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

- There is an established and effective Overview and Scrutiny Committee
- There is an established and effective Audit and Governance Committee to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.

- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
  - Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2012/13 Overview and Scrutiny undertook pre-scrutiny of :
    - Medium Term Financial Plan 2013/14-2014/16
    - Co-location of the Woodrow One Stop Shop
    - Review of Fees and Charges Proposed 2013/14
  - Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2012/13:
    - Access for Disabled People –ended August 2012
    - Redditch Market – ended February 2013
    - Sickness Policy short sharp review –reported November 2012
    - Concessionary Rents - short sharp review - reported November 2012
    - Arts & Culture Task Group – March 2013
    - Housing Density – launched March 2013
  - Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
  - Consideration of risk implications in committee reports and the decision making process
  - Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
  - During 2012/13 a review of the current risk register for corporate and shared service risks was undertaken, weaknesses were found in this a and new register has been created for 2013/14. In addition the risk management of departmental risks will be undertaken for 2013/14 by a web based online system to ensure managers control and mitigate risks in a timely manner
  - Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
  - Regular Trade Union liaison meetings with Senior Management Team
  - Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
    - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
    - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
  - A revised and effective complaints/ compliments procedure is in place and is widely publicised – this has been revised in 2012/13 to include reporting of customer feedback to the Overview and Scrutiny Committee.
  - A whistle blowing policy is in place and available on the Council's website
  - Freedom of Information requests are dealt with in accordance with established protocols
  - All committee reports include reference where relevant to the potential impact on the Council's services
- Core Principle 5: developing the capacity and capability of members and officers to be effective**
- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
  - Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service
  - The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
  - There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
  - All staff have the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
  - An induction programme is in place for Officers and Members

- A managers conference takes place every 2 years to develop managers understanding of new initiatives ( transformation )
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services.

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

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

**4. Review of effectiveness**

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

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

Internal Audit

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

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

Managers

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

External auditors and other review agencies/inspectorates

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

Other external reviews during the year included:

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

## 5. Significant governance and internal control issues

During 2012/13 a total of 3 complaints made to the Standards Committee of alleged breaches of the Code of Conduct. These complaints related to 11 members.

Outcomes as follows:

- No further action without an investigation - 3
- No further action following new information coming to light during an investigation – 0
- Investigation on-going and not yet concluded – 0
- Complaint determined at final hearing – 0

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

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

### **Review the shared service plans accounting arrangements in order to simplify the process**

- A workshop has been undertaken with internal finance staff and external audit to review the way that we account for the shared service. The issue of ensuring that each organisation funds an accurate proportion of the costs associated with the services provided was the focus of the session. The resulting framework will ensure that the accounts can be easily verified and checked by the External Auditors as part of the year end final accounts process.

### **Review the Service Agreement in place with the County Council in relation to the valuation of assets**

- A formal discussion has been held with the senior officers of the County Council to discuss the issues that caused concern with the valuations last year. Assurance has been given that a senior officer will provide a quality control check on the valuations to ensure they are appropriate and accurate.

### **Review and clarify the position in relation to the ownership and trust arrangements for the Paolozzi Murals**

- Officers are continuing to work through the ownership and trust arrangements with the legal team and External Audit with the aim for a resolve during the 2012/13 audit.

### **Improve risk management arrangements and reporting**

- As Members are aware a significant amount of work has been undertaken to ensure Corporate and Departmental Risk registers are developed. There is a clear plan for these to be presented to the Audit & Governance Committee on a regular basis.

### **Continue to monitor the delivery of the Internal Audit plan**

- The Shared Service Internal Audit manager will continue to present quarterly reports to the Audit & Governance Committee to ensure that the Audits are being completed and that the resources are adequate for the level of service to be delivered.

### **Review the format of the monitoring of savings as presented to officers and members**

- The financial monitoring reports for 2013/14 (from April – June 2013) will have better information in relation to the savings to be delivered. This will be managed within the current system ability and will not use further resource to analyse the information.

### **Formally review the Housing Benefit transformation work**

- The work undertaken by the Benefits team is evolving and currently the team are working with customers to ensure a comprehensive support and advice service is provided. It is not envisaged that the transformation of the service will come to an end as the changing work focus resulting from Universal Credit which will have a significant impact on the Borough will continue to redesign how we provide the service.

.....  
**Cllr. Derek Taylor**  
**Chair of Audit & Governance Committee**

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

**27 September 2013**

## **Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31<sup>st</sup> March 2013**

### **Audit Opinion**

The internal audit of Redditch Borough Council's systems and operations during 2012/13 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit and Governance Committee on 23<sup>rd</sup> January 2012.

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

The Internal Audit Plan for 2012/2013 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
- a number of operational systems, for example Markets, Workshop and Fleet and Crematorium and Cemeteries were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

The required audit reports identified in the plan were delivered apart from an agreed audit deferment (Housing and Homelessness) which the S151 agreed to. This has provided sufficient coverage for the Service Manager to form an overall opinion.

Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2012/13 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.

In relation to the twenty nine reviews that have been undertaken, twenty two have been completed and seven are nearing completion at draft report stage. Risk management has been re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group.

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

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

**Andy Bromage**  
**Worcestershire Internal Audit Shared Services Manager**  
June 2013

## CORE FINANCIAL STATEMENTS

### *Movement in Reserves Statement*

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

2011/12	Note	General Fund (GF) Balance  £'000	Earmarked GF Reserves  £'000	Housing Revenue Account (HRA)  £'000	Earmarked HRA Reserves  £'000	Capital Receipts Reserve  £'000	Major Repairs Reserve  £'000	Capital Grants Unapplied  £'000	Total Usable Reserves  £'000	Unusable Reserves  £'000	Total Council Reserves  £'000
<b>Balance at 31st March 2011</b>		1,565	2,927	1,323	5,469	1,252	0	581	13,117	174,926	188,043
<b><u>Movement in Reserves during 2011/12</u></b>											
Surplus/ (deficit) on the provision of services		(2,576)	0	(100,060)	0	0	0	0	(102,636)	0	(102,636)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(7,653)	(7,653)
<b>Total Comprehensive Income and Expenditure</b>		<b>(2,576)</b>	<b>0</b>	<b>(100,060)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(102,636)</b>	<b>(7,653)</b>	<b>(110,289)</b>
<b>Expenditure</b>											
Adjustments between accounting basis & funding basis under regulations	8	2,078	0	100,665	0	434	1,576	(182)	104,571	(104,571)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>		<b>(498)</b>	<b>0</b>	<b>605</b>	<b>0</b>	<b>434</b>	<b>1,576</b>	<b>(182)</b>	<b>1,935</b>	<b>(112,224)</b>	<b>(110,289)</b>
Transfers to/ from Earmarked Reserves	9	6	(6)	(1,010)	1,010	0	0	0	0	0	0
<b>Increase/ Decrease in 2011-12</b>		<b>(492)</b>	<b>(6)</b>	<b>(405)</b>	<b>1,010</b>	<b>434</b>	<b>1,576</b>	<b>(182)</b>	<b>1,935</b>	<b>(112,224)</b>	<b>(110,289)</b>
<b>Balance at 31st March 2012</b>		<b>1,073</b>	<b>2,921</b>	<b>918</b>	<b>6,479</b>	<b>1,686</b>	<b>1,576</b>	<b>399</b>	<b>15,052</b>	<b>62,702</b>	<b>77,754</b>

2012/13	Note	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31st March 2012</b>		<b>1,073</b>	<b>2,921</b>	<b>918</b>	<b>6,479</b>	<b>1,686</b>	<b>1,576</b>	<b>399</b>	<b>15,052</b>	<b>62,702</b>	<b>77,754</b>
<b>Movement in Reserves during 2012/13</b>											
Surplus/ (deficit) on the provision of services		(4,572)	0	4,552	0	0	0	0	(20)	0	(20)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(8,683)	(8,683)
<b>Total Comprehensive Income and Expenditure</b>		<b>(4,572)</b>	<b>0</b>	<b>4,552</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20)</b>	<b>(8,683)</b>	<b>(8,703)</b>
Adjustments between accounting basis & funding basis under regulations	8	4,997	0	(1,641)	0	802	(66)	255	4,347	(4,347)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>		<b>425</b>	<b>0</b>	<b>2,911</b>	<b>0</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
Transfers to/ from Earmarked Reserves	9	(498)	498	(3,012)	3,012	0	0	0	0	0	0
<b>Increase/ Decrease in 2012-13</b>		<b>(73)</b>	<b>498</b>	<b>(101)</b>	<b>3,012</b>	<b>802</b>	<b>(66)</b>	<b>255</b>	<b>4,327</b>	<b>(13,030)</b>	<b>(8,703)</b>
<b>Balance at 31st March 2013</b>		<b>1,000</b>	<b>3,419</b>	<b>817</b>	<b>9,491</b>	<b>2,488</b>	<b>1,510</b>	<b>654</b>	<b>19,379</b>	<b>49,672</b>	<b>69,051</b>

## Core Financial Statements

### Comprehensive Income & Expenditure Statement

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

Gross Expenditure £'000	2011/12 Gross Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	2012/13 Gross Income £'000	Net Expenditure £'000
8,146	(7,294)	852		8,117	(7,181)	936
6,846	(3,167)	3,679		6,641	(3,509)	3,132
5,316	(1,836)	3,480		5,108	(1,617)	3,491
2,689	(1,549)	1,140		2,843	(1,600)	1,243
742	(314)	428		834	(322)	512
19,709	(21,696)	(1,987)		14,778	(22,962)	(8,184)
2,134	-	2,134		-	(1,331)	(1,331)
98,929	-	98,929	<b>6</b>	-	-	-
26,009	(25,430)	579		26,949	(26,776)	173
2,330	(56)	2,274		2,359	(91)	2,268
606	(74)	532		233	(1)	232
<b>173,456</b>	<b>(61,416)</b>	<b>112,040</b>		<b>67,862</b>	<b>(65,390)</b>	<b>2,472</b>
		24	<b>10</b>			(29)
		1,525	<b>11</b>			4,281
		-	<b>6</b>			4,110
		(10,953)	<b>12</b>			(10,814)
		<b>102,636</b>				<b>20</b>
		(2,382)				(404)
		10,035				9,087
		<b>7,653</b>				<b>8,683</b>
		<b>110,289</b>				<b>8,703</b>



## Core Financial Statements

### The Balance Sheet

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

31 March 2012 £'000		Notes	31 March 2013 £'000
242,027	Property, plant and equipment	13	242,846
9,741	Investment property	14	6,533
356	Intangible assets	15	274
2,283	Long-term debtors		1,218
<b>254,407</b>	<b>Long term assets</b>		<b>250,871</b>
3,046	Assets held for sale	20	932
8,651	Short-term investments	16	1,501
6,101	Short-term debtors	18	4,828
8,259	Cash and cash equivalents	19	1,844
295	Inventories	17	297
<b>26,352</b>	<b>Current assets</b>		<b>9,402</b>
(37,817)	Short-term borrowing	16	(17,505)
(6,476)	Short-term creditors	21	(5,895)
<b>(44,293)</b>	<b>Current liabilities</b>		<b>(23,400)</b>
(535)	Provisions	22	(491)
(104,183)	Long-term borrowing	16	(104,135)
(53,954)	Other long term liabilities	38	(63,171)
(40)	Capital Grants Receipts in Advance		(25)
<b>(158,712)</b>	<b>Long-term liabilities</b>		<b>(167,822)</b>
<b>77,754</b>	<b>Net assets</b>		<b>69,051</b>
	<b>Financed by:</b>		
15,052	Usable reserves	23	19,379
62,702	Unusable reserves	24	49,672
<b>77,754</b>	<b>Total reserves</b>		<b>69,051</b>

## Core Financial Statements

### **Cash flow statement**

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

2011/12			2012/13
£'000	Notes		£'000
102,636		Net (surplus)/deficit on the provision of services	20
(10,457)		Adjustment to net (surplus)/deficit on the provision of services for non cash movements	(14,804)
1,232		Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	4,020
<b>93,411</b>	<b>25</b>	<b>Net cash flows from Operating Activities</b>	<b>(10,764)</b>
9,565	<b>26</b>	Investing Activities	(2,559)
(108,480)	<b>27</b>	Financing Activities	19,738
<b>(5,504)</b>		<b>Net (increase)/decrease in cash or cash equivalents</b>	<b>6,415</b>
<b>(2,755)</b>		<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(8,259)</b>
<b>(8,259)</b>	<b>19</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(1,844)</b>

## **Notes to the Core Financial Statements**

### **Index of notes to the Core Financial Statements**

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## **1. Accounting policies**

### **1.1 General principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice on Local Authority Accounting* in the United Kingdom 2012/13 and supplemented by the Service Reporting Code of Practice 2012/13. Supported by International Financial Reporting Standards (IFRS), this is recognised by statute as representing proper practice.

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

### **1.2 Accruals of income and expenditure**

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

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

### **1.3 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **1.4 Charges to revenue for non-current assets**

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

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

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

### **1.5 Employee benefits**

#### **Benefits Payable during Employment**

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

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.2% (based on the indicative rate of return on high quality corporate bonds)

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

The change in the net pensions liabilities is analysed in seven components:-

- i) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- ii) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- iii) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- iv) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- v) Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits or employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- vi) 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 – debited to the Pensions Reserve.
- vii) Contributions paid to the Worcestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

#### **Discretionary benefits**

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

#### **1.6 Events after the reporting period**

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

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

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

#### **1.7 Exceptional items**

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

## **1.8 Financial instruments**

### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

Financial Assets are classified into two types:

- Loans and receivables –assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets –assets that have a quoted market price and/or do not have fixed or determinable payments.

#### *Loans and receivables*

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

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

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

#### *Available for sale assets*

The Council has no available for sale financial assets.

### **1.9 Government grants and contributions**

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

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

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

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

### **1.10 Heritage assets**

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

### **1.11 Intangible assets**

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

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

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

### **1.12 Inventories and long term contracts**

Inventories are included in the Balance Sheet at the latest price paid. Some minor inventories are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that inventories should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.



### **1.13 Investment property**

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

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

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

### **1.14 Jointly controlled assets/operations**

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

### **1.15 Leases**

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

#### ***The Council as lessee***

##### **Finance Leases**

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

Lease payments are apportioned between:

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

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

##### **Operating leases**

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

## ***The Council as lessor***

### **Finance leases**

Where the Council grants a finance lease over a property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and the carrying amount is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor
- finance income (credited to the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure, or the write off of the value of disposals, is not to be adjusted against council tax. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

### **Operating leases**

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

### ***1.16 Overheads and support services***

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

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

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

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

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

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

### ***1.18 Property, plant and equipment***

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not extend previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged as an expense when it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

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

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

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

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

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite life (freehold land and community assets), and assets under construction.

Depreciation is calculated on the following bases:-

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

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

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

#### **Disposals and Non-Current Assets held for sale**

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

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

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

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

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

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

#### **Residual values**

Where assets are held past their estimated useful life their residual values are usually immaterial or below the £10,000 de minimus level for inclusion on the Balance Sheet. Where an asset has reached

the end of its estimated life and is still used, its value is reviewed to confirm that its value is immaterial. This is done annually at the end of the accounting year.

#### **De minimus capital expenditure**

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register.

### **1.19 Provisions, contingent liabilities and contingent assets**

#### **Provisions**

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

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

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

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

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

#### **Contingent liabilities**

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

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

#### **Contingent assets**

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

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

### **1.20 Reserves**

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

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

### **1.21 Revenue expenditure funded from capital under statute**

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

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

### **1.22 Shared services**

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

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

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

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

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

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

<b>Shared Services</b>	<b>Host Council</b>	<b>Basis of split</b>
ICT/Business Transformation	Bromsgrove District	Redditch 50% Bromsgrove 50%
Elections/Electoral Registration	Bromsgrove District	Redditch 46.5% Bromsgrove 53.3%
Building Control	Bromsgrove District	Based on existing budget split
Policy, Performance & Communications	Bromsgrove District	Redditch 50% Bromsgrove 50%
Land Charges	Bromsgrove District	Redditch 40% Bromsgrove 60%
Internal Audit	Worcester City	Redditch 63% Bromsgrove 37%
Bromsgrove Community Safety	Redditch Borough	100% Bromsgrove
North Worcestershire Regeneration	Wyre Forest District	Service level agreement
Payroll	Redditch Borough	Payroll numbers
Climate Change	Redditch Borough	Redditch 50% Bromsgrove 50%

Directorate Support Management Team	Redditch Borough Joint Redditch & Bromsgrove	Agreed support work Redditch 50% Bromsgrove 50% (Housing 100% Redditch)
Land Drainage	Wyre Forest District	Based on existing budget split
Legal & Committee Services	Bromsgrove District	Redditch 50% Bromsgrove 50%
Leisure Services	Redditch Borough	Various dependent on facility
CCTV/Lifeline	Redditch Borough	Redditch 60% Bromsgrove 40%
Post Room	Redditch Borough	Redditch 75% Bromsgrove 25%
Financial Services	Redditch Borough	Redditch 63% Bromsgrove 37%
Human Resources	Redditch Borough	Redditch 65% Bromsgrove 35%
Revenue Services	Redditch Borough	Redditch 56% Bromsgrove 44%
Customer Services	Redditch Borough	Management only 50/50%
Strategic Housing	Bromsgrove District	Redditch 50% Bromsgrove 50%
Environmental Services Management	Bromsgrove District	Redditch 50% Bromsgrove 50%

### **1.23 Tax income**

#### **Accounting for Council Tax**

Councils such as Redditch act as agents in collecting Council Tax on behalf of major preceptors. As a billing authority, the Council acts as an agent, collecting and distributing Council Tax income on behalf of its major preceptors – Worcestershire County Council, West Mercia Police Authority, Hereford and Worcester Fire and Rescue Authority and itself.

Council Tax income for the year is the Council's accrued income for the year and not the amount required by legislation to be transferred from the Collection Fund. The difference between the amount 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 cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and major preceptors. This results in a debtor/creditor position between the Council and major preceptors for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council's share of Council Tax arrears and associated impairment for bad debts, Council Tax overpayments and prepayments and the debtor/creditor position with the precepting bodies.

Adjusting entries have been made to the Collection Fund Adjustment Account. The debtor/creditor position between the billing authority and each major preceptor is recognised in the accounts. The Collection Fund Adjustment Account is used to hold the adjustments relating to the balances in respect of Worcestershire County Council, West Mercia Police and Hereford and Worcester Fire Authority to prevent them having an impact on Council Taxpayers. Equal and opposite adjustments will be made in the accounts of the precepting authorities.

#### **National Non-Domestic Rates (NNDR)**

Billing authorities act as agents in the collection of business rates on behalf of the Government. Business Rates are collected by Redditch as billing authority and paid over to the Government NNDR Pool. Arrears, prepayments and provisions for bad debts in respect of Business Rates are not shown separately on the Balance Sheet. These have been consolidated into one entry with the amount payable to or from the NNDR Pool and are shown as a net debtor or creditor as appropriate.

### **1.24 VAT**

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

## **2. Accounting standards issued, not adopted**

A number of changes in accounting policies will be required from April 2013. The following changes are not considered to have a significant impact on the Statement of Accounts:-

- IAS 1 Presentation of Financial Statements
- IAS 12 Income Taxes
- IFRS 7 Financial Instruments

There have been several changes in relation to IAS 19 Employee Benefits. The changes take effect for accounting years starting on or after 1<sup>st</sup> January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting Local Government Pension Scheme employers relates to the expected return on assets. The expected return on assets is currently credited to profit and loss, however from 2013 this is replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Rate on Assets assumption). The actuary has provided estimates of the effect of the revised standard on the 2012/13 accounts as follows:-

	Current IAS19 disclosure £000	Revised IAS19 disclosure £000	Difference £000
<b>Changes in benefit obligation during period to 31 March 2013</b>			
Current service cost	1,905	1,952	47
Interest on pension liabilities	5,708	5,661	(47)
Actuarial (gains)/losses on liabilities	14,413	0	14,413
Remeasurements(liabilities)	0	14,413	(14,413)
<b>Changes in plan assets during period to 31 March 2013</b>			
Expected return on plan assets	3,990	0	(3,990)
Interest on plan assets	0	3,138	3,138
Actuarial (gains)/losses on assets	5,440	0	(5,440)
Remeasurements (assets)	0	6,323	6,323
Administration expenses	0	(31)	(31)
<b>Components of pension costs for period to 31 March 2013</b>			
Current service cost	1,905	1,952	47
Interest on pension liabilities	5,708	0	(5,708)
Expected return on plan assets	(3,990)	0	3,990
Curtailements	24	24	0
Net interest costs	0	2,523	2,523
Administration expenses	0	31	31
<b>Total pension cost recognized in I&amp;E</b>	<b>3,647</b>	<b>4,530</b>	<b>883</b>
<b>Statement of other comprehensive income (SOCl)</b>			
Actuarial (gains)/losses	8,973	0	(8,973)
Remeasurements(liabilities and assets)	0	8,090	8,090
<b>Total included in SOCl</b>	<b>8,973</b>	<b>8,090</b>	<b>(883)</b>

### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement in the Statement of Accounts is due to the high degree of uncertainty about future levels of funding for local government from central government. The Council has been given details of a reduced financial settlement for 2013/14 and 2014/15 but does not yet have a sufficient level of certainty to provide an indication that the assets of the Council might be impaired as a result of any further reduction in funding.

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

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is a risk of material adjustment in the forthcoming year are as follows:



Item	Uncertainties	Effect if actual results differ from the assumptions
<b>Pensions liability</b>	<p>Assumptions are applied by the actuary in order to calculate the pension expense and liability. The actual amount to be recognised in the balance sheet at year-end is unlikely to equal this projected amount mainly due to:</p> <ul style="list-style-type: none"> <li>• Actual asset returns are likely to be different from those assumed</li> <li>• Actuarial assumptions at the end of the year could be different from those at the start of the year</li> <li>• Other actuarial experience over the year could be different from that assumed.</li> </ul>	<p>The assumptions interact in complex ways. However the effects on the net pension liability of changes in individual assumptions can be measured. For example:-</p> <ul style="list-style-type: none"> <li>• a 0.1% p.a. increase in the discount rate as at 31.03.13 would result in a £2.27 million reduction</li> <li>• a 0.1% p.a. increase in inflation gives a £2.31 million increase</li> <li>• 1 year added to members' life expectancy gives a £2.70 million increase</li> </ul> <p>The actuary provides additional sensitivity analysis information to assist measurement.</p>
<b>Arrears</b>	<p>At 31<sup>st</sup> March 2013 the Council had sundry debtor balances of £0.9million and Housing Benefit debt of £0.7million. Provisions for bad debt are made according to age of debt and past experience and a provision of £0.3million is in place in respect of these balances. In the current economic climate it is not certain that this allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of the doubtful debts would require a further £0.3million to be set aside.</p>
<b>Earmarked Reserves</b>	<p>The Council has reserved £100,000 for the potential settlement of claims arising from a class action for the recovery of personal search fees.</p>	<p>If the courts rule that the charges were unlawful the Council could be liable for the repayment of personal search fees dating back to the implementation of the Environmental Information Regulations (January 2005).</p>
<b>Property, Plant and Equipment</b>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for Council buildings (excluding Council dwellings) would increase by £20,000 for every year that useful lives had to be reduced.</p>
<b>Equal pay claims</b>	<p>Other Local Authorities have been subject to equal pay claims.</p>	<p>Should any claims arise against the authority there is a job evaluation reserve of £755,000 which could be used to settle any claims</p>

## 5. Material items of income and expenditure

There are no material items of income and expenditure other than those disclosed as exceptional items on the face of the Comprehensive Income and Expenditure Statement.

## 6. Exceptional items

### **Housing Revenue Account – Settlement Payments Determination 2011/12**

The 2011/12 comparative figures include transactions in relation to the HRA Settlement payable on the commencement of HRA self-financing. The abolition of the housing subsidy system required the Council to take on additional borrowing to buy itself out of the system. In the 2012/13 figures there are no transactions relating to housing subsidy in the Housing Revenue Account and increased charges for interest paid on the additional borrowing are reflected throughout the financial statements. The notes to the financial statements indicate where figures have been affected by these changes.

### **Financing and investment Income – Loss on revaluation of Investment Property**

Investment properties are reviewed annually to ensure their fair value reflects market conditions at the balance sheet date. Revaluation losses amounting to £4.110million have been recognised in the accounts.

#### *Church Hill Centre*

The Council intends to transfer investment properties at the Church Hill Centre to the developer of the Church Hill District Centre Redevelopment Scheme at a nominal value. This transfer represents the Council's contribution to the redevelopment. The Church Hill shopping centre is still in use and generating income for the Council. Its book value has been reduced from £600,000 to £60,000 as its estimated remaining life as an investment asset is just one year. The site of the former public house will be transferred to the developer for an agreed amount of £1. The total reduction in book value of these properties is £1.171million (the book value before revaluation was £1.231m).

#### *Threadneedle House*

In March 2013 a tenant of Threadneedle House offices surrendered their lease to the Council. A payment of £0.8million was made to the Council for the early surrender; £0.366million of the payment was accounted for as a capital receipt with the balance (£0.434) credited to investment income.

Threadneedle House is a town centre located office development requiring some modernisation. Most of the office space is currently unlet, with no immediate prospect of finding new tenants. The fair value has been reduced by £2.228million as a reflection of market conditions and the lack of tenants.

Other revaluation losses amounting to £0.711million arose from general changes in market conditions and revised valuation bases.

## 7. Events after the balance sheet date

As a result of the Local Government Resource review, new arrangements for the retention of business rates come into effect on 1st April 2013. From that date the Council will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that have been paid over to Central Government in respect of 2012/13 and prior years. The estimated amount of the Council's liability as at 1st April 2013 in respect of these appeals is £292,540.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

### **General Fund balance**

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessary in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the

Council is statutorily empowered to spend on services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to HRA services.

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

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

#### **Major Repairs Reserve**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

<b>Usable Reserves</b>							
<b>2011/12 Adjustments</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Usable Reserves £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,457	3,894	0	0	0	5,351	(5,351)
• Impairment/revaluation losses(reversal previous losses)	(55)	2,134	0	0	0	2,079	(2,079)
• Amortisation of intangible assets	236	0	0	0	0	236	(236)
• Capital grants and contributions applied	(431)	0	0	0	0	(431)	431
• Revenue expenditure funded from capital under statute	968	0	0	0	0	968	(968)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	462	381	0	0	0	843	(843)
• Use of Major Repairs Reserve to finance new capital expenditure	0	0	(2,268)	0	0	(2,268)	2,268
• Finance lease reclassification	28	0	0	0	0	28	(28)
• Revenue contribution to finance capital	(32)	0	0	0	0	(32)	32
• Housing settlement payment	0	98,929	0	0	0	98,929	(98,929)
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(471)	0	0	0	0	(471)	471
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants & contributions unapplied credited to the CI&E Statement	(20)	0	0	0	20	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0	(202)	(202)	202

<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(477)	(754)	0	1,272	0	41	(41)
HRA capital receipts to housing pool	404	0	0	(404)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(434)	0	(434)	434
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(3,844)	3,844	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	3,269	(103)	0	0	0	3,166	(3,166)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,311)	0	0	0	0	(3,311)	3,311
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(10)	0	0	0	0	(10)	10
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	61	28	0	0	0	89	(89)
<b>Total adjustments</b>	<b>2,078</b>	<b>100,665</b>	<b>1,576</b>	<b>434</b>	<b>(182)</b>	<b>104,571</b>	<b>(104,571)</b>

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

<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(2,332)	(1,689)	0	4,079	0	58	(58)
HRA capital receipts to housing pool	523	0	0	(523)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(2,754)	0	(2,754)	2,754
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(5,848)	5,848	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	3,611	(24)	0	0	0	3,587	(3,587)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,458)	0	0	0	0	(3,458)	3,458
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)	0	0	0	0	(30)	30
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(67)	(28)	0	0	0	(95)	95
<b>Total adjustments</b>	<b>4,997</b>	<b>(1,641)</b>	<b>(66)</b>	<b>802</b>	<b>255</b>	<b>4,347</b>	<b>(4,347)</b>

## 9. Transfer to/from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA Balances in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Balance at 31 March 2011 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2012 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2013 £'000
<b>General Fund</b>							
Job evaluation	755	0	0	755	0	0	755
Threadneedle House	0	0	0	0	558	0	558
Mercury emissions	302	73	0	375	60	0	435
Community development	283	161	(76)	368	0	(52)	316
Capital expenditure (General fund)	332	0	0	332	0	(126)	206
Community Safety	234	3	(75)	162	15	0	177
Housing support	186	54	(49)	191	99	(123)	167
Sport Development	51	27	(11)	67	123	(31)	159
Land charges	100	0	0	100	0	0	100
Town centre	56	15	(19)	52	45	0	97
Planning Services	57	38	0	95	22	(41)	76
Housing Benefits implementation	16	7	0	23	64	(23)	64
Regulatory Services balance	71	0	(1)	70	0	(11)	59
Public donations	63	0	(22)	41	0	(1)	40
Risk	15	6	0	21	15	0	36
Grants to voluntary bodies	0	13	0	13	33	(13)	33
IT licences	0	0	0	0	29	0	29
Play areas	0	24	0	24	0	0	24
Hemming Road Enterprise Centre	45	0	0	45	0	(22)	23
Land drainage	8	12	0	20	0	0	20
Arts	31	7	(17)	21	7	(16)	12
Administrative support	0	20	0	20	9	(20)	9
Electoral services	0	22	0	22	0	(14)	8
Car loan guarantee scheme	6	1	0	7	0	0	7
2 Pennies	0	0	0	0	8	0	8
Environmental Health	0	2	0	2	0	(1)	1
Lifeline	24	0	0	24	0	(24)	0
Taxi licensing	6	0	0	6	0	(6)	0
Shared services/transformation	250	0	(200)	50	0	(50)	0
Recycling	26	0	(17)	9	0	(9)	0
Economic Development	10	0	(10)	0	0	0	0
Countryside centre	0	6	0	6	0	(6)	0
<b>Total General Fund</b>	<b>2,927</b>	<b>491</b>	<b>(497)</b>	<b>2,921</b>	<b>1,087</b>	<b>(589)</b>	<b>3,419</b>
<b>Housing Revenue Account</b>							
Housing capital	5,450	1,000	0	6,450	3,000	0	9,450
Supporting people	19	10	0	29	27	(15)	41
<b>Total Housing Revenue Account</b>	<b>5,469</b>	<b>1,010</b>	<b>0</b>	<b>6,479</b>	<b>3,027</b>	<b>(15)</b>	<b>9,491</b>
<b>Total Earmarked Reserves</b>	<b>8,396</b>	<b>1,501</b>	<b>(497)</b>	<b>9,400</b>	<b>4,114</b>	<b>(604)</b>	<b>12,910</b>



## 10. Other operating expenditure

2011/12 £'000	Expenditure	2012/13 £'000
8	Parish Precept	8
404	Payments to the Government Housing Capital Receipt Pool	523
(389)	Gain/losses on disposal of non-current assets	(653)
-	Loss on revaluation of Held for Sale Assets	110
1	Trading services	(17)
<b>24</b>	<b>Total</b>	<b>(29)</b>

## 11. Financing and investment income and expenditure

2011/12 £'000	Expenditure	2012/13 £'000
508	Interest Payable and similar charges	3,689
1,337	Pension Interest Cost and Expected Return on Pensions Assets	1,704
(202)	Interest Receivable and Similar Income	(46)
5	Income and Expenditure in relation to Investment Properties and Changes in Fair Value	(945)
(123)	Finance lease Income	(121)
-	Loss on revaluation of Investment Property	4,281
		4,110
<b>1,525</b>	<b>Total</b>	<b>8,391</b>

Interest payable in 2012/13 includes payments on PWLB loans taken out in March 2012 to fund the HRA settlement paid to central government.

Note 6 "Exceptional Items" give details of the loss on revaluation of investment properties.

## 12. Taxation and non-specific grant income

2011/12 £'000	Income source	2012/13 £'000
(5,805)	Council Tax Income	(5,814)
(3,588)	Non Domestic Rate Income	(4,132)
(1,109)	Revenue Support Grant	(80)
(144)	Council Tax Freeze Grant	(144)
(118)	Capital Grants and Contributions	(345)
(189)	Non-ring fenced government grants	(299)
<b>(10,953)</b>	<b>Total</b>	<b>(10,814)</b>

### 13 Property, plant and equipment movements in 2012/13

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	
<b>Cost or Valuation</b>									
At 1 April 2012	210,789	26,023	8,849	2,084	870	192	533	249,340	
Additions	6,086	256	549	57	134	0	0	7,082	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(257)	0	0	0	0	0	(257)	
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,517)	(414)	0	0	0	0	0	(4,931)	
De-recognition – Disposals	(685)	(96)	(192)	0	0	0	0	(973)	
De-recognition – Other	0	0	(72)	0	0	0	0	(72)	
Assets reclassified	90	0	0	0	0	(192)	0	(102)	
Other movements in costs or valuation	0	0	0	0	0	0	694	694	
<b>At 31 March 2013</b>	<b>211,763</b>	<b>25,512</b>	<b>9,134</b>	<b>2,141</b>	<b>1,004</b>	<b>0</b>	<b>1,227</b>	<b>250,781</b>	

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2012	0	1,117	6,006	190	0	0	0	7,313	
Depreciation Charge	5,848	454	830	81	0	0	0	7,213	
Depreciation written out to the Revaluation Reserve	0	(58)	0	0	0	0	0	(58)	
Depreciation written out to the Surplus/Deficit on the Provision of Services	(5,848)	(435)	0	0	0	0	0	(6,283)	
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
De-recognition – Disposals	0	0	(250)	0	0	0	0	(250)	
Assets reclassified (to)/from Community Assets	0	0	0	0	0	0	0	0	
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	
<b>At 31 March 2013</b>	<b>0</b>	<b>1,078</b>	<b>6,586</b>	<b>271</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,935</b>	
<b>Net Book Value</b>									
At 31 March 2012	210,789	24,906	2,843	1,894	870	192	533	242,027	
At 31 March 2013	211,763	24,434	2,548	1,870	1,004	0	1,227	242,846	

### Fixed asset valuations

The freehold and leasehold properties which comprise the Council's operational portfolio have been valued by Worcestershire County Council's valuation team in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations of fixed assets are undertaken using a five year rolling programme, although the value of all assets is reviewed annually for impairments and changes in market conditions. Fixed plant and equipment is included in the valuation of buildings.

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

	Council Dwellings	Other land and buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	-	-	9,134	2,141	1,004	-	1,227	13,506
Valued at current value in:								
2007/08	-	562	-	-	-	-	-	562
2008/09	-	30	-	-	-	-	-	30
2009/10	-	588	-	-	-	-	-	588
2010/11	-	3,471	-	-	-	-	-	3,471
2011/12	-	13,311	-	-	-	-	-	13,311
2012/13	-	7,550	-	-	-	-	-	7,550
<b>Gross value</b>	<b>211,763</b>	<b>25,512</b>	<b>9,134</b>	<b>2,141</b>	<b>1,004</b>	<b>-</b>	<b>1,227</b>	<b>250,781</b>
Cumulative depreciation	-	(1,078)	(6,586)	(271)	-	-	-	(7,935)
<b>Net book value at 31 March 2013</b>	<b>211,763</b>	<b>24,434</b>	<b>2,548</b>	<b>1,870</b>	<b>1,004</b>	<b>-</b>	<b>1,227</b>	<b>242,846</b>

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

### Depreciation

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

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

### 14 Investment properties

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

2011/12 £'000		2012/13 £'000
(983)	Rental income from investment property	(978)
988	Direct operating expenses arising from investment	1,025
-	Premium on early surrender of lease	(434)
-	Dilapidation charges	(558)
-	Movement in market value of investment property	4,110
<b>5</b>	<b>Net (gain)/loss on investment properties</b>	<b>3,165</b>
1	(Gain)/Loss on trading operations	(17)
<b>6</b>		<b>3,148</b>

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

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

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

2011/12 £'000		2012/13 £'000
9,999	Balance at the start of the year	9,741
	Additions:	
0	• Purchases	0
0	• Construction	0
0	• Surrender of finance lease	1,054
204	• Subsequent expenditure	78
(462)	Disposals	(60)
0	Transfer to council dwellings	(170)
0	Net gains/losses from fair value adjustments	(4,110)
<b>9,741</b>	<b>Balance at end of the year</b>	<b>6,533</b>

## 15 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. To date, none of the capitalised software has been internally developed.

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.105 million was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

2011/12 £'000		2012/13 £'000
Balance at start of the year:		
1,533	- Gross carrying amounts	1,557
(965)	- Accumulated amortisation	(1,201)
<b>568</b>	<b>Net carrying amount at the start of the year</b>	<b>356</b>
Additions:		
24	- Purchases	23
(236)	Amortisation for the period	(105)
<b>356</b>	<b>Net carrying amount at end of year</b>	<b>274</b>
Comprising:		
1,557	Gross carrying amount	1,580
(1,201)	Accumulated amortisation	(1,306)
<b>356</b>		<b>274</b>

## 16. Financial instruments

### Categories of Financial Instruments

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

31 March 2012			31 March 2013	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
<b>Investments</b>				
-	8,651	Loans & receivables	-	1,501
-	<b>8,651</b>	<b>Total investments</b>	-	<b>1,501</b>
<b>Debtors</b>				
70	2,043	Loans & receivables	67	1,785
<b>70</b>	<b>2,043</b>	<b>Total debtors</b>	<b>67</b>	<b>1,785</b>
<b>Borrowings</b>				
(104,183)	(37,817)	Financial liabilities at amortised cost	(104,135)	(17,505)
<b>(104,183)</b>	<b>(37,817)</b>	<b>Total borrowings</b>	<b>(104,135)</b>	<b>(17,505)</b>
<b>Creditors</b>				
-	(2,578)	Financial liabilities at contract cost	-	(1,612)
-	<b>(2,578)</b>	<b>Total creditors</b>	-	<b>(1,612)</b>
-	<b>8,259</b>	<b>Cash &amp; cash equivalents</b>	-	<b>1,844</b>

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

### Income, Expense, Gains and Losses

31 March 2012				31 March 2013		
Financial Liabilities £'000	Financial Assets £'000	Total £'000		Financial Liabilities £'000	Financial Assets £'000	Total £'000
455	-	455	Interest expense	3,639	-	3,639
<b>455</b>	-	<b>455</b>	<b>Total expense in Surplus or Deficit in Provision of Services</b>	<b>3,639</b>	-	<b>3,639</b>
-	(202)	(202)	Interest income	-	(46)	(46)
-	<b>(202)</b>	<b>(202)</b>	<b>Total income in Surplus or Deficit in Provision of Services</b>	-	<b>(46)</b>	<b>(46)</b>
<b>455</b>	<b>(202)</b>	<b>253</b>	<b>Net (gain)/loss for the year</b>	<b>3,639</b>	<b>(46)</b>	<b>3,593</b>

Interest on the PWLB loans taken out in March 2012 to fund the HRA Settlement amounted to £3.315million in 2012/13.

## Fair Value of assets and liabilities

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

- For PWLB loans, the premature repayment rates at 31<sup>st</sup> March 2013 and the debt redemption procedure of the PWLB have been applied
- The fair value of other temporary borrowing and deposit loans is taken as amortised cost since there is no trade in these assets
- The fair value of debtors and creditors is taken as the invoiced or billed amount.

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

31 March 2012			31 March 2013	
Carrying amount £'000	Fair value £'000		Carrying amount £'000	Fair value £'000
		<b>Financial liabilities</b>		
104,183	108,184	Long term	104,135	115,075
37,817	37,817	Current	17,505	17,505
		<b>Financial Assets</b>		
8,651	8,651	Loans & receivables	1,501	1,501
70	70	Long term debtors	67	67

## 17. Inventories

Details of inventories held are shown below:-

Balance at 31 March 2012 £'000	Stock	Balance at 31 March 2013 £'000
246	Depot stores	262
49	Other miscellaneous stores	35
<b>295</b>		<b>297</b>

## 18. Debtors

An analysis of current debtors is shown below:-

Balance at 31 March 2012 £'000	Debtor type	Balance at 31 March 2013 £'000
682	Central Government Bodies	753
2,260	Other local authorities	1,321
974	Housing rents	995
3,366	Other entities and individuals	2,893
7,282		5,962
(1,181)	Less – provision for doubtful debts	(1,134)
<b>6,101</b>	<b>Total</b>	<b>4,828</b>

## 19. Cash and cash equivalents

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

Balance at 31 March 2012 £'000		Balance at 31 March 2013 £'000
32	Cash held by the Council	37
5,727	Bank Current Accounts	(93)
2,500	Short Term Deposits	1,900
<b>8,259</b>	<b>Total Cash and Cash Equivalents</b>	<b>1,844</b>

## 20. Assets held for sale

	Current 2011/12 £'000	Current 2012/13 £'000
<b>Balance outstanding at start of year</b>	<b>2,537</b>	<b>3,046</b>
Assets newly classified as held for sale:		
- Property, plant & equipment	-	192
- Property, plant & equipment (HRA)	701	79
Assets reclassified as surplus:-		
- Property, plant & equipment	(192)	-
Disposals	-	(2,513)
Revaluation losses	-	128
<b>Balance outstanding at year-end</b>	<b>3,046</b>	<b>932</b>

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

## 21. Creditors

An analysis of current creditors is shown below:-

Balance at 31 March 2012 £'000	Creditor type	Balance at 31 March 2013 £'000
636	Central Government bodies	1,250
2,621	Other Local Authorities	2,761
305	Housing rents prepaid	255
36	NHS bodies	16
2,878	Other entities and individuals	1,613
<b>6,476</b>		<b>5,895</b>

## 22. Provisions

An analysis of provision is as follows:

	Opening Balance 01/04/12 £'000	Contributions		Closing Balance 31/03/13 £'000
		To £'000	From £'000	
Self-insurance (injury and damage compensation claims)	535	115	(159)	491

Payments from the provision include a £44,000 levy paid to Municipal Mutual Insurance under the Scheme of Arrangement triggered in 2012/13.



## 23. Usable reserves

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

## 24 Unusable reserves

An analysis of the unusable reserves is shown below:

	Balance	Contributions		Balance
	01/04/12	To	From	31/03/13
	£'000	£'000	£'000	£'000
Pensions Reserve	(53,954)	3,458	(12,675)	(63,171)
Accumulated Absences Account	(261)	261	(166)	(166)
Deferred Capital Receipts Reserve	628	77	(58)	647
Capital Adjustment Account	107,107	13,420	(15,734)	104,793
Revaluation Reserve	9,119	1,747	(3,390)	7,476
Collection Fund Adjustment Account	63	30	-	93
<b>Total unusable reserves</b>	<b>62,702</b>	<b>18,993</b>	<b>(32,023)</b>	<b>49,672</b>

### Pensions Reserve

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

2011/12		2012/13
£'000		£'000
<b>44,064</b>	<b>Balance at 1 April</b>	<b>53,954</b>
10,035	Actuarial (gains) or losses on pension assets and liabilities	9,087
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
3,166	Comprehensive Income and Expenditure Statement	3,588
	Employer's pension contributions and direct payments to pensioners	
(3,311)	payable in the year	(3,458)
<b>53,954</b>	<b>Balance at 31 March</b>	<b>63,171</b>

### Accumulated Absences Account

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

2011/12		2012/13	2012/13
£'000		£'000	£'000
<b>172</b>	<b>Balance at 1 April</b>		<b>261</b>
(172)	Settlement or cancellation of accrual made at the end of preceding year	(261)	
261	Amounts accrued at the end of the current year	166	
89	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		(95)
<b>261</b>	<b>Balance at 31 March</b>		<b>166</b>

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance represents mortgages granted on sales of council houses and loans for improvements to private sector houses secured by charges on the properties.

2011/12 £'000		2012/13 £'000
<b>59</b>	<b>Opening Balance at 1 April</b>	<b>628</b>
(40)	Transfer to the Capital Receipts Reserve upon receipt of cash	(58)
546	Lifetime loans balance transferred from Capital Adjustment Account	-
63	Lifetime loans issued in year	77
<b>628</b>	<b>Closing Balance at 31 March</b>	<b>647</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007.

2011/12 £'000		2012/13 £'000	
<b>212,174</b>	<b>Opening Balance at 1 April</b>		<b>107,107</b>
	<i>Capital Financing applied in the year:</i>		
434	Use of Capital Receipts to finance new expenditure	2,754	
2,268	Use of Major Repairs Reserve to finance Capital Expenditure	5,914	
	Capital Grants and Contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	425	
431	Statutory provision for the financing of capital investment	804	
	Application of grants to capital financing from the Capital Grants Unapplied Account	38	
202	Revenue Contributions to Capital Expenditure	107	
<b>3,838</b>			<b>10,042</b>
	<i>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure Statement:</i>		
55	Impairment of non-current assets (Loss on revaluation)/reversal of previous loss on revaluation of housing stock	(343)	
(2,134)	Depreciation of non-current assets	1,331	
(5,352)	Amortisation of intangible assets	(7,215)	
(236)	Loss on revaluation of Held for Sale Assets	(105)	
-		(110)	

(28)	Finance lease IFRS transition adjustment	(29)
(1,577)	Revenue expenditure funded from capital under statute	(455)
(843)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(3,367)
<b>(10,115)</b>		<b>(10,293)</b>
<b>139</b>	Adjusting Amounts written out of Revaluation Reserve	<b>2,047</b>
	<i>Movements in the market value of Investment Property debited or credited to the Comprehensive Income and Expenditure Account</i>	
<b>(98,929)</b>	Reversal Housing Revenue Account Settlement	-
	Movements in the value of Investment Properties	(4,110)
<b>107,107</b>	<b>Closing Balance at 31 March</b>	<b>104,793</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired
- used in the provision of services, or
- disposed of

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

2011/12 £'000		2012/13 £'000
<b>6,876</b>	<b>Opening Balance at 01 April</b>	<b>9,119</b>
2,665	Revaluations during the year	1,747
(139)	Depreciation of revaluations	(153)
(177)	Impairment of Revaluations	-
-	Disposals	(1,894)
(106)	Reversal previous revaluation losses	(1,343)
<b>9,119</b>	<b>Closing Balance at 31 March</b>	<b>7,476</b>

### Collection Fund Adjustment Account

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

2011/12 £'000		2012/13 £'000
<b>53</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>63</b>
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
10		30
<b>63</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>93</b>

## 25. Cash flow statement – Operating activities

The cash flows for operating activities include the following items:

2011/12 £'000		2012/13 £'000
(200)	Interest received	(96)
461	Interest paid	3,651

Interest on the PWLB loans taken out in March 2012 to fund the HRA Settlement amounted to £3.315million in 2012/13.

## 26. Cash flow statement – Investing activities

2011/12 £'000		2012/13 £'000
12,750	Purchase of property, plant & equipment, investment property and intangible assets	8,569
50,100	Purchase of short-term & long-term investments	30,700
62	Other payments for investing activities	96
(1,232)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,020)
(52,000)	Proceeds from short-term & long-term investments	(37,800)
(115)	Other receipts from investing activities	(104)
<b>9,565</b>	<b>Net cash flows from investing activities</b>	<b>(2,559)</b>

## 27. Cash flow statement – Financing activities

2011/12 £'000		2012/13 £'000
(202,454)	Cash receipts of short-term & long-term borrowing	(42,300)
	Other receipts from financing activities:	
(213)	<ul style="list-style-type: none"> <li>• Difference between cash collected from NNDR taxpayers and the amount paid to the pool</li> </ul>	(500)
(86)	<ul style="list-style-type: none"> <li>• Difference between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of estimated surplus/deficit on the Collection Fund</li> </ul>	(110)
94,273	Repayments of short- and long-term borrowing	62,648
<b>(108,480)</b>	<b>Net cash flows from financing activities</b>	<b>19,738</b>

## 28. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is the specified by the Service Reporting Code of Practice. Decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current services cost benefits accrued in the year

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the comprehensive income and expenditure statement and the subjective analysis within the explanatory forward.

The services included in Policy, Performance and Partnership Directorate in 2011/12 were transferred to other Directorates in 2012/13. Support costs are included in the costs of the Directorate providing the support service. The allocation of support costs to direct services is shown under "Support" in the 2012/13 figures. In 2011/12 the allocation of support costs was made across the Directorates receiving support.

2012/13	Support	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Chief Exec	Total Net Expenditure by Service
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-	(3,024)	(1,899)	(6,501)	(113)	(11,537)
Government grants	-	(31,653)	(209)	(15)	-	(31,877)
Recharge to Services		(5,714)	(1,312)	(4,679)	(1,701)	(13,406)
	-	<b>(40,391)</b>	<b>(3,420)</b>	<b>(11,195)</b>	<b>(1,814)</b>	<b>(56,820)</b>
Employee expenses	-	4,116	1,671	7,485	384	13,656
Other expenses	-	34,670	1,981	8,563	1,599	46,813
Support service recharges	5,123	957	-	114	-	6,194
	<b>5,123</b>	<b>39,743</b>	<b>3,652</b>	<b>16,162</b>	<b>1,983</b>	<b>66,663</b>
<b>Net Cost of Services</b>	<b>5,123</b>	<b>(648)</b>	<b>232</b>	<b>4,967</b>	<b>169</b>	<b>9,843</b>

2011/12 Comparative Figures	Policy, Performance & Partnership	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Chief Exec	Total Net Expenditure by Service
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(125)	(2,283)	(1,644)	(5,850)	(84)	(9,986)
Government grants	-	(30,265)	(139)	(11)	-	(30,415)
Recharge to Services	(480)	(6,147)	(1,677)	(6,147)	(1,153)	(15,604)
	<b>(605)</b>	<b>(38,695)</b>	<b>(3,460)</b>	<b>(12,008)</b>	<b>(1,237)</b>	<b>(56,005)</b>
Employee expenses	223	4,186	1,778	7,646	199	14,032
Other expenses	516	33,314	3,062	8,944	1,038	46,874
Support service recharges	94	2,934	129	2,788	15	5,960
	<b>833</b>	<b>40,434</b>	<b>4,969</b>	<b>19,378</b>	<b>1,252</b>	<b>66,866</b>
<b>Net Cost of Services</b>	<b>228</b>	<b>1,739</b>	<b>1,509</b>	<b>7,370</b>	<b>15</b>	<b>10,861</b>

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

	2011/12 £'000	2012/13 £'000
Net Cost of Service from Service Analysis	10,861	9,844
Add amounts not reported to management	93,681	(131)
Amounts not included in the Comprehensive Income and Expenditure Statement	7,498	(7,241)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>112,040</b>	<b>2,472</b>

## Reconciliation to Subjective Analysis

2012/13	Service analysis £'000	Not reported to management £'000	Not included in CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and other income	(11,537)	(26,384)	4,296	(33,625)	(4,296)	(37,921)
Interest and Investment income	-	(86)	-	(86)	(46)	(132)
Income from Council Tax	-	-	-	-	(5,814)	(5,814)
Government grants and Contributions	(31,877)	-	343	(31,534)	(5,000)	(36,534)
Support Service Recharge	(7,212)	(2,620)	9,687	(145)	242	97
<b>Total Income</b>	<b>(50,626)</b>	<b>(29,090)</b>	<b>14,326</b>	<b>(65,390)</b>	<b>(14,914)</b>	<b>(80,304)</b>
Employee Expenses	13,657	3,506	(331)	16,832	22	16,854
Other Service Expenses	45,388	15,420	(2,420)	58,388	791	59,179
Interest Payments	-	-	(3,248)	(3,248)	7,661	4,413
Capital Charges	1,425	10,033	(11,458)	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	523	523
Gain on disposal Precept	-	-	(4,110)	(4,110)	3,457	(653)
	-	-	-	-	8	8
<b>Total Expenditure</b>	<b>60,470</b>	<b>28,959</b>	<b>(21,567)</b>	<b>67,862</b>	<b>12,462</b>	<b>80,324</b>
<b>Surplus/deficit on the provision of Services</b>	<b>9,844</b>	<b>(131)</b>	<b>(7,241)</b>	<b>2,472</b>	<b>(2,452)</b>	<b>20</b>

2011/12 Comparative Figures	Service analysis	Not reported to management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other income	(9,986)	(22,426)	1,146	(31,266)	-	(31,266)
Interest and Investment income	-	-	-	-	(202)	(202)
Income from Council Tax Government grants and Contributions	-	-	-	-	(5,805)	(5,805)
Internal Recharge	(30,415)	-	-	(30,415)	(5,148)	(35,563)
	(9,644)	2,405	7,504	265	(265)	-
<b>Total Income</b>	<b>(50,045)</b>	<b>(20,021)</b>	<b>8,650</b>	<b>(61,416)</b>	<b>(11,420)</b>	<b>(72,836)</b>
Employee Expenses	14,032	1,462	(82)	15,412	1,337	16,749
Other Service Expenses	45,182	11,081	(1,070)	55,193	202	55,395
Capital Charges	1,692	2,182	-	3,874	-	3,874
Interest Payments	-	48	-	48	455	503
Loss on disposal of Assets	-	-	-	-	(389)	(389)
Housing Settlement	-	98,929	-	98,929	-	98,929
Payments to Housing Capital Receipts Pool Precepts	-	-	-	-	404	404
	-	-	-	-	7	7
<b>Total Expenditure</b>	<b>60,906</b>	<b>113,702</b>	<b>(1,152)</b>	<b>173,456</b>	<b>2,016</b>	<b>175,472</b>
<b>Surplus/deficit on the provision of Services</b>	<b>10,861</b>	<b>93,681</b>	<b>7,498</b>	<b>112,040</b>	<b>(9,404)</b>	<b>102,636</b>

## 29. Trading operations

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

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

2011/12 £'000	Service	2012/13	
		£'000	£'000
	<i>Investment property</i>		
(64)	Land and property holdings	3,090	
69	Business centres	75	
<b>5</b>	<b>Financing and investment income and expenditure</b>		<b>3,165</b>
	<i>Trading services</i>		
27	Civic suite hire	9	
(26)	Market	(26)	
<b>1</b>	<b>Other operating expenditure</b>		<b>(17)</b>
<b>6</b>	<b>Net (surplus)/loss on trading operations</b>		<b>3,148</b>

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

Undertaking		2011/12 £'000	2012/13 £'000
The Council manages and lets industrial and commercial units located in various parts of the borough – the trading objective is to maximise the surplus.	Turnover	(574)	(552)
	Dilapidations	-	(558)
	Lease premium	-	(434)
	Expenditure	510	524
	Loss on revaluation	-	4,110
	<b>Surplus</b>	<b>(64)</b>	<b>3,090</b>
The Council operates three business centres which provide affordable premises for new and small businesses – the trading objective is to break even after excluding capital charges	Turnover	(408)	(425)
	Expenditure	477	500
	<b>Deficit</b>	<b>69</b>	<b>75</b>
The Council operates an outdoor market generating rental income from stallholders - the trading objective is to maximise the surplus.	Turnover	(156)	(115)
	Expenditure	130	89
	<b>Deficit/(Surplus)</b>	<b>(26)</b>	<b>(26)</b>

Note 6 “Exceptional Items” give details of the loss on revaluation of investment properties and the lease premium receipt.

### 30. Members' allowances

Members' allowances paid in the year were £124,749 (£138,186 in 2011/12). Expenses of £3,319 (£4,131 in 2011/12) were paid in addition to members' allowances. The scheme for members' allowances was introduced in 2002/03. An independent panel has been formed to evaluate the remuneration to be made to members for the duties they perform.

2011/12 £'000		2012/13 £'000
93	Basic allowances	87
45	Special responsibility	38
4	Expenses	3
<b>142</b>		<b>128</b>

### 31. Employee remuneration

From 20<sup>th</sup> April 2010 Redditch Borough Council and Bromsgrove District Council have employed a joint management team; all the costs of this are shared equally. The Chief Executive, Section 151 Officer and Monitoring Officer are all employed by Bromsgrove District Council and therefore are not included in the table below.

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

2012/13

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



**2011/12 comparative figures**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Executive Director of Planning, Regeneration, Regulatory & Housing	90,751	-	90,751	10,255	101,006
Executive Director of Leisure, Environment & Community	100,163	-	100,163	11,315	111,478
	<b>190,914</b>	<b>-</b>	<b>190,914</b>	<b>21,570</b>	<b>212,484</b>
Share to Bromsgrove District Council (50%)	<b>95,457</b>	<b>-</b>	<b>95,457</b>	<b>10,785</b>	<b>106,242</b>

Officers in the joint management team employed by Bromsgrove District Council are 50% funded by Redditch Borough Council. Their total remuneration for 2012/13 is shown in the table below.

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

**2011/12 Comparative figures**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive	127,500	82	127,582	13,388	140,970
Executive Director of Finance & Resources	90,751	408	91,159	9,529	100,688
Director of Policy, Performance & Partnerships	85,941	-	85,941	6,623	92,564
Head of Legal & Democratic Services	75,000	1,520	76,520	7,875	84,395
	379,192	2,010	381,202	37,415	418,617
Share to Redditch Borough Council (50%)	<b>189,596</b>	<b>1,005</b>	<b>148,894</b>	<b>18,708</b>	<b>209,309</b>

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

2011/12 Number	Remuneration band	2012/13 Number
-	Between £50,000 and £54,999	-
1	Between £55,000 and £59,999	1
1	Between £60,000 and £64,999	3
-	Between £65,000 and £69,999	1
1	Between £70,000 and £74,999	1
2	Between £75,000 and £79,999	3
<b>5</b>		<b>9</b>

### 2012/13 Termination costs

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below.

#### *Redditch Borough Council*

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0-£20,000	21	0	10	16	31	16	175,849	107,666
£20,001-£40,000	1	0	2	3	3	3	87,941	67,821
£40,001-£60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	1	0	1	0	67,223
<b>Total</b>	<b>22</b>	<b>0</b>	<b>12</b>	<b>20</b>	<b>34</b>	<b>20</b>	<b>263,790</b>	<b>242,710</b>

In addition to the above, early retirement was agreed for one officer resulting in a pension strain of £42,601; 50% of which is to be funded from Bromsgrove District Council.

In 2011/12, all exit packages were recharged to and from both authorities on a 50% basis as officers were made redundant as part of the shared service agenda. Of the above, £43,670 has been charged to Bromsgrove District Council in 2012/13. Bromsgrove District Council charged Redditch Borough Council £67,747 for this year.

#### *Bromsgrove District Council*

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0-£20,000	2	0	7	6	9	6	109,922	64,136
£20,001-£40,000	1	0	3	2	4	2	117,297	49,604
£40,001-£60,000	1	0	0	1	1	1	42,405	43,190
£60,001-£80,000	0	0	2	0	2	0	141,576	0
£80,001-£100,000	0	0	1	0	1	0	81,317	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>13</b>	<b>9</b>	<b>17</b>	<b>9</b>	<b>492,517</b>	<b>156,930</b>

### 32. External Audit Costs

External audit services to the Council (£89,429) were provided by Grant Thornton in relation to the audit of the Statement of Accounts and certification of grant claims. Additional grant claims were certified by the Audit Commission (£13,990).

2011/12		2012/13
£000		£000
117	Accrued fees payable with regard to external audit services	76
31	Fees paid with regard to the certification of grant claims and returns	27
<b>148</b>	<b>Total</b>	<b>103</b>

### 33. Related Parties

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

#### Central Government

Central government has effective control over the general operations of the Council– it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from the government departments are set out in Note 35.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 30. During 2012/13, no material works and services were commissioned from companies in which members had an interest. Grants totalling £70k were paid to the Redditch Citizens Advice Bureau, of which 1 member had an interest.

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

#### Officers

There were no disclosures made by officers in 2012/13.

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

The Council shares a number of services with Bromsgrove District Council. Total receivable from Bromsgrove District Council, including the cost of hosting these services was £2,661,000 (£888,000 of which was unpaid at 31 March 2013), whilst £2,587,000 (£702,000 of which was unpaid at 31 March 2013) was payable to Bromsgrove District Council in 2012/13.

Under the Worcestershire Enhanced Two Tier (WETT) programme, Asset & Estates and Audit Services are provided by partner Councils. In 2012/13, payable to the Worcestershire County Council and Worcester City Council was a total of £428,000 (£87,000 of which was unpaid at 31 March 2013).

As part of Worcestershire Regulatory Services, payable to Bromsgrove District Council was £592,000 (£57,000 of which was unpaid at 31 March 2013) for hosting Environmental Health and Licensing. £10,000 was receivable from Worcestershire Regulatory Services (all of which was unpaid at 31 March 2013).

### 34. Grant Income

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

	2011/12 £'000	2012/13 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	1,109	80
New Burden Grant	-	15
New Homes Bonus	189	283
Council Tax Freeze Grant	144	144
<b>Total</b>	<b>1,442</b>	<b>522</b>
<b>Credited to Services</b>		
Benefits Administration	718	775
Concessionary Fares	11	9
Homelessness	139	99
High Street Innovation Grant	-	110
Elections (Police Commissioner)	-	83
Other	2	6
<b>Total</b>	<b>870</b>	<b>1,082</b>
<b>Capital Grants and contributions</b>		
<i>Used to fund capital expenditure in year:</i>		
Kick Start (applied to revenue)	-	64
Disabled Facilities Grant (applied to revenue)	321	308
"Choose how you move" (Worcestershire County Council)	-	29
"Aiming High" Worcestershire County Council (Abbey Stadium)	98	-
Other	12	24
<i>Transferred to Capital Grants Unapplied account:</i>		
Developers' contributions	20	244
Disabled Facilities Grant	-	33
<i>Transferred from Capital Received in Advance account:</i>		
Warmer Worcestershire	-	15
<b>Total</b>	<b>451</b>	<b>717</b>

### 35. Capital expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

2011/12 £'000		2012/13 £'000
<b>31,066</b>	<b>Opening capital financing requirement</b>	<b>41,558</b>
<b>Capital investment:</b>		
12,522	Property, plant and equipment	7,774
205	Investment properties	77
25	Intangible assets	23
1,577	Revenue expenditure funded from capital under statute	454
<b>Sources of finance:</b>		
(434)	Capital receipts	(2,754)
(632)	Government grants & other contributions	(463)
(2,268)	Major repairs allowance	(5,914)
<i>Sums set aside from revenue</i>		
(32)	Direct revenue contributions	(107)
(471)	MRP/loans fund principal (excluding PFI)	(804)
<b>41,558</b>	<b>Closing capital financing requirement</b>	<b>39,844</b>
<b>Explanation of movements in year</b>		
10,492	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,714)
<b>10,492</b>	<b>Increase /(decrease) in capital financing requirement</b>	<b>(1,714)</b>

### 36. Leases

#### The Council as Lessee

##### Finance Leases

The Council currently has no finance leases.

##### Operating Leases

The Council has acquired part of its fleet of motor vehicles by entering into operating leases, over a period of five years. It also leases photocopiers and other office equipment. The Rubicon Centre is leased with a remaining lease period of just over four years. This is a business centre sub-let to small businesses. At 31 March 2013, the minimum payments expected under sub-leases were £580,300 (£712,000 at 31 March 2012).

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

	31 March 2012	31 March 2013
	£'000	£'000
Not Later than one year	954	578
Later than one year and not later than five years	381	329
Later than five years	54	-
	<b>1,389</b>	<b>907</b>

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

	31 March 2012	31 March 2013
	£'000	£'000
Minimum lease payments	455	461
Sub-lease payments receivable	(128)	(126)
	<b>327</b>	<b>335</b>

#### The Council as Lessor

##### Finance Leases

The Council has leased out property at Threadneedle House to the Post Office and Barclays Bank on financing leases each with remaining terms of 19 years. The Barclays Bank lease was surrendered in March 2013.

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

	31 March 2012	31 March 2013
	£'000	£'000
Finance lease debtor	1,338	395
Unearned finance income	1,672	469
Unguaranteed residual value of property	203	61
<b>Gross investment in the lease</b>	<b>3,213</b>	<b>925</b>

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

	31 March 2012	31 March 2013
	£'000	£'000
<b>Gross investment in the lease</b>		
Not Later than one year	151	46
Later than one year and not later than five years	602	184
Later than five years	2,460	695
	<b>3,213</b>	<b>925</b>

	31 March 2012	31 March 2013
	£'000	£'000
<b>Minimum lease payments</b>		
Not Later than one year	151	46
Later than one year and not later than five years	602	184
Later than five years	2,257	634
	<b>3,010</b>	<b>864</b>

### 37. Impairment losses

The Council recognised net revaluation losses of £3.232million in relation to property.

A charge of £4.110million was made to Financing and Investment Income and Expenditure for revaluation losses on investment property. £0.110million was charged to Other Operating Services for losses on revaluation of assets held for sale. A net reduction of £0.988 was made to Cost of Services, £1.331million reversal of previous revaluation losses on HRA property and £0.343million losses on revaluation of other property.

### 38. Defined Benefit Pension Scheme

#### Participation in Pension Schemes

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

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

#### Transactions Relating to Post-Employment Benefits

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

Local Government Pension Scheme 2011/12 £'000		Local Government Pension Scheme 2012/13 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of services:</b>	
1,901	Current Service Cost	1,962
-	Past Service Costs(Gain)	-
73	Settlements and Curtailments	32
	<b>Financing and investment income and expenditure:</b>	
6,057	Interest Costs	5,814
(4,720)	Expected Return on scheme assets	(4,110)
<b>3,311</b>	<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,698</b>
	<b>Other Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	
(10,035)	Actuarial Gains and (Losses)	(9,087)
<b>(6,724)</b>	<b>Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(5,389)</b>
	<b>Movement in Reserves Statement</b>	
<b>(3,166)</b>	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment Benefits in accordance with the code	<b>(3,698)</b>
	<b>Actual Amount charged against the General Fund Balance for pensions in the year</b>	
<b>3,311</b>	Employers contributions payable to the scheme	<b>3,458</b>

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities was at 31 March 2013 a loss of £9.087million and at 31 March 2012 was a loss of £10.035million.

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Redditch Borough Council LGPS				Redditch Borough Council LGPS		
Shared Regulatory Services LGPS		All benefits		Shared Regulatory Services LGPS		All benefits
Unfunded benefits	All benefits			Unfunded benefits	All benefits	
2011/12 £'000	2011/12 £'000		2011/12 £'000	2012/13 £'000	2012/13 £'000	
<b>3,449</b>	<b>109,681</b>	<b>1,919</b>	<b>Balance at 1 April</b>	<b>3,445</b>	<b>118,017</b>	<b>2,053</b>
-	1,841	60	Current Service Cost	-	1,905	57
182	5,951	106	Interest Cost	162	5,708	107
-	749	23	Members Contributions	-	693	22
78	3,899	-	Actuarial (Gains)/Losses	263	14,413	277
(264)	(4,032)	(55)	Benefits Paid	(274)	(4,435)	(52)
-	(145)	-	Past Service Costs	-	(110)	-
-	73	-	Curtailments	-	24	8
<b>3,445</b>	<b>118,017</b>	<b>2,053</b>	<b>Balance at 31 March</b>	<b>3,596</b>	<b>136,215</b>	<b>2,472</b>

Reconciliation of fair value of the scheme (plan) assets:

Redditch Borough Council LGPS				Redditch Borough Council LGPS		
Shared Regulatory Services LGPS		All benefits		Shared Regulatory Services LGPS		All benefits
Unfunded benefits	All benefits			Unfunded benefits	All benefits	
2011/12 £'000	2011/12 £'000		2011/12 £'000	2012/13 £'000	2012/13 £'000	
-	<b>65,591</b>	<b>1,945</b>	<b>Balance at 1 April</b>	-	<b>64,200</b>	<b>1,916</b>
-	4,584	136	Expected rate of return	-	3,990	120
-	(5,959)	(177)	Actuarial Gains/(Losses)	-	5,440	164
264	3,267	44	Employer Contributions	274	3,409	49
-	749	23	Member Contributions	-	693	22
(264)	(4,032)	(55)	Benefits Paid	(274)	(4,435)	(52)
-	<b>64,200</b>	<b>1,916</b>	<b>Balance at 31 March</b>	-	<b>73,297</b>	<b>2,219</b>

The expected rate of return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected yields on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £9.430 million (2011/12 -£1,374 million) for Redditch Borough Council and £0.284million (2011/12 -£0.0041million) for the Shared Regulatory Services.

### Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:	84,826	118,504	111,600	120,070	138,687
Fair value of Assets	(42,241)	(63,112)	(67,536)	(66,116)	(75,516)
<b>Surplus/deficit in the scheme</b>	<b>42,585</b>	<b>55,392</b>	<b>44,064</b>	<b>53,954</b>	<b>63,171</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £138,687 million has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £63,171million. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of the employees(i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £3.719million.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010. Where different assumptions are made for Redditch Borough Council and Regulatory Services valuations, these are detailed.

The principal assumptions used by the actuary have been:

2011/12 Redditch Borough Council	2011/12 Regulatory Services – where different		2012/13 Redditch Borough Council	2012/13 Regulatory Services – where different
<b>Long term expected rate of return on assets in the scheme</b>				
7.0%		Equity investments	7.0%	
3.1%		Government Bonds	2.8%	
4.1%		Other bonds	3.9%	
0.5%		Cash/liquidity	0.5%	
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners:				
22.1		• Men	22.5	
24.6		• Women	25	
Longevity at 65 for future pensioners:				
23.5		• Men	24.3	
26.1		• Women	27	
<b>Financial assumptions</b>				
2.5%	2.6%	Rate of CPI inflation	2.4%	
4.0%	4.1%	Rate of increase in salaries	3.9%	
2.5%	2.6%	Rate of increase in pensions	2.4%	
4.9%	5.1%	Rate of discounting scheme liabilities	4.2%	4.4%
50%		Take up option to convert annual pension into retirement lump sum	50%	

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2012 %	Category	31 March 2013 %
88.9	Equity investments	90.8
3.2	Government bonds	0.0
4.0	Other bonds	7.4
3.9	Cash / liquidity	1.8
100.0	<b>Total</b>	100.0

(Determined as at 31 March 2012)

(Determined as at 31 March 2013)



## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of the relevant year as set out in the table.

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Experience gains / (losses) on assets (Redditch BC)	(40.1)	27.2	(0.1)	(9.3)	7.4
Experience gains / (losses) on assets (Regulatory Services)	-	-	8.2	(9.2)	7.4
Experience gains / (losses) on liabilities (Redditch BC)	0.0	0.0	4.7	0.0	0.0
Experience gains / (losses) on liabilities (Regulatory Services)	-	-	0.0	0.0	0.0

## 39. Contingent Liabilities

### Municipal Mutual Insurance

The Council's former insurer, Municipal Mutual Insurance, is under the control of administrators. During the year 2012/13 the Scheme of Arrangement was enacted. A levy of 15% has been imposed on Scheme Creditors. The Council, as a Scheme Creditor, has created a creditor in the 2012/13 accounts of £44,000 for this levy. The Council maintains a provision for third party insurance claims and this creditor has been charged against that provision.

A contingent liability of up to £252,000 exists should the administrators impose further levies on Scheme Creditors.

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

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

### Credit risk

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

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments at 31 March 2013 are as below:-

Invested with	Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate
Santander	28/03/13	23/04/13	1,500	0.43%

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

	<b>Balance sheet at 31 March 2013</b>	<b>Historical experience of default</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2013</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other debtors	1,785	5%	97	115

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

	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£'000</b>	<b>£'000</b>
Less than three months	1,216	832
Three to six months	73	92
Six months to one year	162	145
More than one year	592	716
	<b>2,043</b>	<b>1,785</b>

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is summarised as follows:

	<b>£'000</b>
Less than one year	17,505
Between one & five years	72
More than five years	115,003
	<b>132,580</b>

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

Included within the long-term borrowing is a £5,000,000 loan due to mature in 2032 with an interest rate of 4.71%. The loan is a maturity loan and the fair value of this loan as at the 31 March 2013 is £6,888,000. In addition, the Council was required to take on additional borrowing of £98,929,000 in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of the following loans:

<b>Commencement Date</b>	<b>Maturity Date</b>	<b>Investment Principal</b>	<b>Interest Rate</b>	<b>Fair Value at 31 March 2013</b>
		<b>£'000</b>		<b>£'000</b>
28/03/12	28/03/27	15,000	3.01%	16,403
28/03/12	28/03/32	25,000	3.30%	27,380
28/03/12	28/03/37	40,000	3.44%	43,727
28/03/12	28/03/42	18,929	3.50%	20,605
		<b>98,929</b>		<b>108,115</b>

The Council entered into an interest free Salix Energy Efficiency Loan Scheme in 2010/11 which is repayable over 4 years. The amount outstanding as at the 31 March 2013 is £71,874.

The Council's short term borrowing at 31 March 2013 is as below:-

Borrowed from	Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate
Derbyshire County Council	15/03/13	15/04/13	2,000	0.40%
Humber Fire Authority	22/10/12	22/04/13	1,000	0.29%
Middlesbrough Council	26/03/13	23/04/13	2,000	0.35%
Worcestershire County Council	07/02/13	02/05/13	1,000	0.28%
Wakefield Metropolitan Council	22/02/13	03/06/13	1,500	0.32%
Derbyshire County Council	12/03/13	12/06/13	1,000	0.40%
London Borough of Ealing Council	13/03/13	17/06/13	3,000	0.35%
South Yorkshire Joint Secretariat	15/03/13	15/07/13	3,000	0.40%
Derbyshire County Council	12/02/13	12/08/13	1,000	0.40%
Hyndburn Borough Council	20/03/13	20/09/13	1,000	0.40%
Derbyshire County Council	21/03/13	23/09/13	1,000	0.40%
			<b>17,500</b>	

## Market risk

### *Interest rate risk*

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Comprehensive Income and Expenditure Account.

To limit interest rate risk the Council does not currently have any of its borrowing in variable rate loans. The Head of Finance and Resources has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget.

The Council minimises its risks using the following measures:

- By adopting the requirements of the CIPFA Treasury Management in the Public Service Code of Practice
- By limiting the Council's borrowing and approving prudential indicators for the current year plus 2 future years.
- By approving a Treasury Management Strategy annually, this includes only lending to major banks and F1 rated Building Societies, other Local Authorities and AAA rated Money Market Funds. Also, there is a maximum limit of £2.5 million to any one bank or institution.

Although the Council does not anticipate any loss on investments, the estimated maximum exposure to default on investments is as detailed below: At the 31<sup>st</sup> March 2013, all funds were deposited with F1 rated Banks or Building Societies.

Deposits with banks and financial institutions	Amount at 31 March 2013 £'000	Adjustment for market conditions at 31 March 2013 £'000	Estimated maximum exposure to default £'000
Fixed Term Deposits	1,500	0.00	1,500
Call Account	1,900	0.00	1,900

**Price risk**

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

**Foreign exchange risk**

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

**41. Trust Fund**

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

Trust	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
<b>2012/13</b>				
Paolozzi Mural Fund <i>The purpose of the trust is to ensure that the murals remain in Millward Square and can be readily viewed by the public</i>	-	-	136	-
<b>2011/12</b>				
Paolozzi Mural Fund	1	-	136	-

**Paolozzi Murals**

The Redditch Development Corporation, whilst building the Kingfisher Centre in Redditch, commissioned a set of 12 murals from Sir Eduardo Paolozzi CBE RA. The murals are displayed in Millward Square in the Kingfisher Centre. The murals are held on trust by Redditch Borough Council and its co-trustees. The trust deed requires the owners of the Kingfisher Centre to clean, maintain and insure the murals. The purpose of the trust is to ensure that the murals remain in Millward Square and can be readily viewed by the public. When the trust was created a fund was set aside for the maintenance of the murals. The mural fund balance currently amounts to £136,389 and is held by Redditch Borough Council.

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



## Notes to the HRA Income and Expenditure Statement

### 1. Dwelling rent income

This is the total rent income due for the year after allowance is made for voids etc. During the year 0.67% of properties were vacant (0.81% in 2011/12). Average rents were £71.94 a week (52 week basis) in 2012/13, an increase of £4.70 or 7.00% over the previous year.

### 2. Housing stock

The Council was responsible for managing an average stock of 5,992 dwellings during 2012/13. The change in the number of properties is shown below.

2011/12 Number of Properties		2012/13 Number of Properties
6,035	Owned on April 1	5,999
2	Reclassified	3
-	Purchased	1
(31)	Available for sale	-
(7)	Sales in year	(19)
<b>5,999</b>	<b>Owned on 31 March</b>	<b>5,984</b>

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

2011/12 Number of Properties	Property type	2012/13 Number of Properties
1,565	One bedroom flats	1,566
565	Two bedroom flats	561
29	Three or more bedroom flats	30
661	One bedroom houses	661
924	Two bedroom houses	920
2,034	Three bedroom houses	2,026
178	Four or more bedroom houses	177
43	Non-permanent dwellings	43
<b>5,999</b>		<b>5,984</b>

The Balance Sheet value of the land, houses and other property within the housing revenue account at 31 March 2013 was £212 million. Council dwellings were re-valued at 31 March 2013. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5<sup>th</sup> Edition. The valuation was carried out by the Council's valuer, Mr J Dunstall, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social Housing. The housing stock was valued at £212million (the balance sheet valuation prior to revaluation was £211million). The valuation did not include the notional directly attributable acquisition costs that were determined to be £4.2 million.

	Assets held for sale £'000	Dwellings, garages £'000
<b>Gross value at 1 April 2012</b>	701	210,789
Additions in year –subsequent expenditure	-	6,086
Transfers in year	79	90
Disposals in year	(701)	(685)
Revaluations	158	(4,517)
<b>Gross balance sheet value at 31 March 2013</b>	237	211,763
Depreciation	-	-
<b>Net balance sheet value at 31 March 2013</b>	<b>237</b>	<b>211,763</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 31 March 2013 was £612 million.

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

The valuation includes 28 properties used for purposes other than as a dwelling in addition to the 5,984 properties listed in the dwelling type schedule above.

### 3. Major Repairs Reserve

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

	<b>Major Repairs Reserve £'000</b>
<b>Balance at 1 April 2012</b>	<b>(1,576)</b>
Transfer from Capital Adjustment Account	5,914
Reversal of Major Repairs Allowance credited to the HRA	(5,848)
<b>Balance at 31 March 2013</b>	<b>(1,510)</b>

### 4. Housing Repairs Account

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

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
3,884	Expenditure in year	3,971
302	Administration costs	316
(24)	Income in year	(34)
(4,162)	Contribution from Housing Revenue Account	(4,253)
<b>0</b>	<b>Transfer from/to specific reserve</b>	<b>0</b>

### 5. Capital expenditure

During the year a total of £6,086 million capital expenditure was incurred on land, houses and other assets within the Housing Revenue Account.

<b>2011/12 £'000</b>	<b>Funding source</b>	<b>2012/13 £'000</b>
2,268	Housing Major Repairs Reserve	5,914
3,857	Borrowing	-
-	Capital receipts	172
<b>6,125</b>	<b>Total capital expenditure</b>	<b>6,086</b>

### 6. Capital receipts

The Council received £0.893 million capital receipts income from the sale of 19 houses under the Right to Buy Scheme. Disposals of property on the open market generated £0.795 million.

## 7. Depreciation

The Council is required to charge depreciation on all Housing Revenue Account properties calculated in accordance with proper practices. For Housing Revenue Account dwellings these proper practices need to be considered in the context of the major repairs allowance which the government has introduced. It represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period, based on the Council's own mix of dwelling types. It is considered that the major repairs allowance is likely to constitute a reasonable estimate of depreciation. Accordingly, the major repairs allowance has been used as an estimate of depreciation charges in respect of housing revenue account dwellings in these accounts. Use of the Major Repairs Allowance (MRA) is still considered an appropriate depreciation policy for the re-valued housing assets. The total charge for depreciation on operational assets for 2012/13 is £5,892,910 (£5,848,460 MRA for council dwellings and £44,450 vehicles, plant, furniture and equipment).

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

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

Pension Reserve movement	£'000
Current service pensions costs adjustment	(565)
Expected return on pensions assets	(1,257)
Pensions interest cost	1,799
	(23)
Housing Revenue Account share of contributions to/from Pensions Reserve	
Sum of items	(1,051)
Employers contributions	1,074
<b>Net effect on Housing Revenue Account</b>	<b>0</b>

## 9. Rent arrears

During the year 2012/13 gross rent arrears as a proportion of gross rent income has decreased from 5.0% to 4.4%. Arrears at 31 March 2013 were £994,481 (31 March 2012 £973,991). Arrears written off during the year amounted to £150,000 (£224,000 in 2011/12).

## 10. Provision for bad debts

2011/12 £'000		2012/13 £'000
550	Balance at 1 April	434
108	(Decrease)/increase in provision	132
(224)	Written off in year	(150)
<b>434</b>	<b>Balance at 31 March</b>	<b>416</b>

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

2011/12 £'000	Adjustment	2012/13 £'000
(28)	Short term compensated absences adjustment	28
103	Pension Reserve movements	23
374	Gain on sale of assets	302
(2,134)	Revaluation loss/(reversal previous loss)	1,331
(98,929)	Settlement payment	-
(51)	Depreciation adjustment	(44)
<b>(100,665)</b>	<b>Adjustments between accounting basis and funding under regulations</b>	<b>(1,640)</b>



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

2011/12		2012/13
£'000		£'000
5,469	Balance at 1 April	6,479
1,010	(Decrease)/increase in provision	3,012
<b>6,479</b>	<b>Balance at 31 March</b>	<b>9,491</b>

## 13. Reversal of previous revaluation loss

Revaluation of the housing stock resulted in a revaluation gain of £1.331 million. This gain was used to partly reverse a previous revaluation decrease recognised in the HRA Income and Expenditure Statement. This credit was transferred out of General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## **The Collection Fund**

2011/12 £'000	Note		2012/13 £'000	2012/13 £'000
		<b>Income</b>		
(35,193)		Income from council tax (net of benefits)		(35,257)
		Transfers from general fund		
(6,444)		• council tax benefits		(6,481)
(33,755)		Income collectable from business ratepayers		(34,808)
<b>(75,392)</b>				<b>(76,546)</b>
		<b>Expenditure</b>		
41,378	4	Precepts and demands		41,443
		Business rates		
33,642		• payment to national pool	34,696	
113		• costs of collection	112	34,808
		Bad and doubtful debts		
45	5	• increased provision		80
		Contributions		
143		• towards previous year's estimated collection fund surplus		-
<b>(71)</b>		<b>Movement on fund balance</b>		<b>(215)</b>
(377)		Fund (surplus)/deficit brought forward		(448)
<b>(448)</b>	6	<b>Fund (surplus)/deficit carried forward</b>		<b>(663)</b>

## **Notes to the Collection Fund**

### **1. General**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows transactions relating to non-domestic rates and council tax. It illustrates the way these have been distributed to preceptors and the General Fund.

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

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent). The council tax base for 2012/13 was 27,611.67 (27,569.18 for 2011/12). The basic amount of council tax for a band D property (£1,500.60 for 2012/13) is multiplied by the proportion specified for the particular band to give the amount due for each band.

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

Tax band	Number of properties	Adjusted for discounts	Proportion of band D	Band D equivalent	Council tax £
A(disabled)	13	11.75	5/9	6.53	833.66
A	7,281	6,173.25	6/9	4,115.50	1,000.42
B	11,467	10,458.00	7/9	8,134.00	1,167.15
C	7,096	6,585.00	8/9	5,853.33	1,333.87
D	4,157	3,916.75	1	3,916.75	1,500.60
E	3,095	2,974.25	11/9	3,635.19	1,834.09
F	1,097	1,055.50	13/9	1,524.61	2,167.55
G	422	404.50	15/9	674.17	2,501.02
H	16	15.25	18/9	30.50	3,001.22
<b>Total</b>	<b>34,644</b>	<b>31,594.25</b>		<b>27,890.58</b>	
				<i>Multiply by assumed collection rate</i>	99.00%
				<b>Tax base</b>	<b>27,611.67</b>

### 3. Business rates

Business rating is organised on a national basis. The government specifies an amount and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The multipliers were set at 45.8p and 45.0p for small businesses (the multipliers were 43.3p and 42.6p for small businesses in 2011/12). The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rate Pool administered by the government. The government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The total non-domestic rateable value at 31 March 2013 was £ 85,434,193 (£85,844,948 at 31 March 2012).

### 4. Precepts and demands

The following authorities made a precept or demand on the collection fund:

2011/12		2012/13
£'000	Authority	£'000
28,646	Worcestershire County Council	28,690
5,775	Redditch Borough Council	5,784
4,927	West Mercia Police Authority	4,935
2,030	Hereford & Worcester Fire & Rescue Authority	2,034
<b>41,378</b>		<b>41,443</b>

### 5. Bad and doubtful debts

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

2011/12		2012/13
£'000	Provision for bad debts - Council Tax	£'000
1,900	Balance at 1 April	1,786
45	Increase in provision	80
(159)	Written off in year	(58)
<b>1,786</b>	<b>Balance at 31 March</b>	<b>1,808</b>

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

2011/12		2012/13
£'000	Provision for bad debts – Business rates	£'000
1,076	Balance at 1 April	1,096
360	Increase/(decrease) in provision	130
(340)	Written off in year	(264)
<b>1,096</b>	<b>Balance at 31 March</b>	<b>962</b>

## 6. Collection fund surpluses and deficits

The surplus on the collection fund at 31 March 2013 will be repaid to Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the respective precepts or demands made by those authorities on the collection fund as shown below:

2011/12		2012/13
£'000	Authority	£'000
(310)	Worcestershire County Council	(459)
(63)	Redditch Borough Council	(93)
(53)	West Mercia Police Authority	(79)
(22)	Hereford & Worcester Fire & Rescue Authority	(32)
<b>(448)</b>		<b>(663)</b>

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

# **Statement of responsibilities for the statement of accounts**

## ***The Council's responsibilities***

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Financial Officer (Director of Finance and Corporate Resources).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

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

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## ***Certification of Accounts***

I certify that the Statement of Accounts 2012/13 gives a true and fair view of the financial position of Redditch Borough Council at 31 March 2013 and its income and expenditure for the year then ended.

..... 27 September 2013  
**Jayne Pickering C.P.F.A.**  
**Director of Finance and Corporate Resources**

## ***Approval of Accounts***

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

..... 27 September 2013  
**Cllr. Derek Taylor**  
**Chair of Audit & Governance Committee**

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

## **Opinion on the Authority financial statements**

We have audited the financial statements of Redditch Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Redditch Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Director of Finance and Corporate Resources and auditor**

As explained more fully in the Statement of the Director of Finance and Corporate Resources Responsibilities, the Director of Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Redditch Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Redditch Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

## **Certificate**

We certify that we have completed the audit of the financial statements of Redditch Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Jones  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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20 Colmore Circus  
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30<sup>th</sup> September 2013



## Glossary of terms

### **Accounting Period**

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

### **Accounting policies**

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

### **Accruals**

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

### **Actuary**

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

### **Assets under construction**

Capital expenditure on assets where the work is incomplete.

### **Audit of accounts**

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

### **Balance sheet**

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

### **Budget**

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

### **Capital charge**

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

### **Capital expenditure**

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

### **Capital financing**

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

### **Capital receipts**

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

### **CIPFA**

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

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

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

### **Collection Fund**

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

**Creditors**

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

**Current Asset**

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

**Debtors**

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

**Depreciation**

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

**Earmarked reserve**

Money set aside for specific reason.

**Exceptional Items**

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

**Fair value**

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

**Financial instrument**

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

**Fixed assets**

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

**General Fund**

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

**Housing Benefits**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**Liability**

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

**Minimum revenue provision (MRP)**

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

**Non Domestic Rates**

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

**Operating lease**

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

**Precept**

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

**Provisions**

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

**Public Works Loan Board (PWLB)**

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

**Reserves**

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

**Revenue Contributions to Capital**

Capital expenditure met from the annual revenue budget.

**Revenue expenditure**

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

**Revenue balances**

This is the general reserve of the Council.

**Revenue expenditure funded from capital under statute**

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

**Revenue Support Grant (RSG)**

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

**Service Reporting Code of Practice**

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

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Trust funds**

Funds administered by the Council on behalf of charities.