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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 5TH DECEMBER 2024, AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

SUPPLEMENTARY PAPERS 1

The attached papers were tabled at the meeting and are an additional item to be added to the Agenda previously distributed relating to the above mentioned meeting.

5. Financial Compliance Report (Pages 3 - 256)

S. Hanley
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

2nd December 2024

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Bromsgrove District Council

DRAFT Statement of Accounts for the year ended 31st March 2021



Bromsgrove
District Council
www.bromsgrove.gov.uk

8DA

Parkside, Market Street, Bromsgrove, Worcestershire B61

tel: (01527) 881288

Agenda Item 5

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Narrative Report

Introduction

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

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

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

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

The sections are:

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

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2020/21 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Bromsgrove District Council.

Financial and Operational Performance

Our District

Bromsgrove

- Covers an area of 84 Square Miles
- Has 96,000 residents
- Has 45,000 Homes and Businesses
- Has 31 Councillors and 30 Wards

The District has an above-average number of over 60s, with concentrations of people in several smaller towns and villages. Many residents commute to Birmingham but despite that has the highest percentage of self-

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employed and business start-ups in England. It has isolated areas of deprivation, higher median income levels.

Elections are held once every four years. All seats are contested together. The next election is in 2023. The Council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet', which is chaired by the Leader of the Council. The Cabinet handles much of the ordinary business of the Council, with the Full Council having the final say on matters of strategic policy, budget and council tax.

The Council, along with Redditch Borough Council, were one of the first Councils in the country to form a shared service in 2008. This means we have a single team servicing both Councils. We also host services such as Worcestershire Regulatory Services (WRS), which is pan Worcestershire. The Council's vision is "To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of high-quality services that ensure those most in need receive the appropriate help and support."

Strategic Priorities

What matters:

Bromsgrove District Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them as well. Through considering what really matters to our residents we have developed six key priorities, supported by six strategic purposes. Working to these purposes will help us to understand the needs of the District and how, together with our partners, we can improve the lives of our residents and the prospects for Bromsgrove District as a whole.

Key Priorities 2019-2023



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Strategic purpose: Run and grow a successful business

We will:

- Develop an economic development strategy, to include stimulating the growth of low carbon industries
- Work with partners to improve digital and physical connectivity (to include 5G and transport infrastructure)
- Support local businesses to embrace new technologies in order to maximise business growth, particularly in the knowledge and creative industries
- Look to stimulate adequate supply of land and premises to enable existing and new businesses to grow
- Strengthen the vibrancy and viability of our towns and district centres

Strategic purpose: Work and financial independence

We will:

- Support schools and Heart of Worcester College to link students to local employers
- Work with businesses to utilise the apprenticeship levy and increase the number of apprenticeships
- Provide support to people to enable them to access employment opportunities in digital and low carbon industries
- Support residents to manage their finances, including working with schools on money management
- Ensure people get the benefits they need

Strategic purpose: Living independent, active & healthy lives

We will:

- Continue to support the Redditch & Bromsgrove Dementia Friendly Communities initiative
- Provide targeted activities for older people and support the emerging Age Friendly Bromsgrove Community
- With partners, enable targeted activities and initiatives to support mental well-being
- Support improved access to services that reduce social isolation (including Lifeline)
- Develop a Parks and Open Spaces Strategy (including increased physical activity and cycling)
- Enhance sport and cultural opportunities offered by the Council

Strategic purpose: Affordable and sustainable homes

We will:

- Work with developers to deliver more affordable homes
- Develop a plan for the Burcot Lane site

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- Improve outcomes for tenants in the private rented sector
- Support people to live and remain in appropriate homes
- Engage with leaseholders, such as park home residents, to understand their needs
- Work with developers to deliver more energy efficient homes

Strategic purpose: Communities which are safe, well-maintained and green

We will:

- Work with partners, schools and communities to reduce crime and the fear of crime
- Review services to understand how we can adapt to address the implication of climate change
- Improve targeted environmental enforcement
- Understand the different needs of our local areas in order to keep them clean and tidy
- Explore the options to reduce residual waste, increase recycling and maximise the efficiency of waste collection services

Strategic purpose: An effective and sustainable Council

We will:

- Manage financial stability
- Manage sustainability
- Provide high quality services

National Position in 2020/21

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

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

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

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

Organisational Performance

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

This included many vital, short-term policy initiatives to protect the District's most vulnerable residents – including support for Bromsgrove Council staff, support for the NHS response through Worcester Regulatory Services, and much needed help for struggling businesses. The Council procured additional Personal Protective Equipment (PPE) to enable key staff to continue to deliver services safely. All these initiatives required additional investment and were funded during 2020/21 from the Covid-19 grants received from Central Government. These direct Grants to the Council amounted to £1.242m. There was also £1.517m received in terms of support for lost sales fees and charges.

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

Central Government announced that Local Authorities were to be responsible for the distribution of a number of grants throughout 2020/21; including mandatory and discretionary business grants, self-isolation payments for individuals required to isolate. The Council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner.

Systems were continually reviewed, improved and streamlined, to ensure these grants reached businesses as

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quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure that they meet the Governments requirements and satisfy the funding conditions. Using discretionary funding, the Council designed and approved grants schemes to support those businesses and individuals self-isolating put at financial hardship who fell outside the mandatory government grant schemes.

The Council acted as an agent for the administration of the mandatory grants – the eligibility criteria and funding levels were set by Government and the Council had no discretion on how these were administered. These grants have therefore been excluded from the Comprehensive Income and Expenditure Statement (CIES). **Table 1** sets out these additional grants distributed during 2020/21 and **Table 2** sets out the Test and Trace figures for 2020/21.

Table 1 – Grants for which the Council acted as an agent

Type	Number	Value £
Small Business Grant Fund	1,379	13,790,000
Retail Hospitality and Leisure 2a	159	1,590,000
Retail Hospitality and Leisure 2b	174	4,350,000
Local Authority Discretionary Grant Fund	77	1,012,500
Additional Restrictions Grant	224	1,599,067
Christmas Support Payment for Wet Led Pubs	33	33,000
Closed Business Lockdown Payment	558	2,627,000
LRSB (Closed)	151	110,586
LRSB (Closed) Addendum	560	877,946
LRSB (Closed) Addendum 5th Jan Onwards	566	2,723,106
LRSB (Open)	136	185,339
LRSB (Sector)	1	2,714
Total	4,018	28,901,258

Table 2 - Test and Trace figures

	Awards	£
Main Scheme	77	38,500
Discretionary	68	34,000
Total	145	72,500

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

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The only figures we seem to see these days are related to Coronavirus, so here are some of our interesting statistics from January 2020 - February 2021. Our staff, whether front line or working from home, have worked hard to keep local services running throughout the pandemic.

Covid Count



Our crews have collected over **1.9 million household waste bins** and **half a million garden waste bins!** (Jan - Dec 2020)

Delivered **17 themed instalments of an online campaign** @ encouraging residents to get creative at home.

Starting Well Worcestershire* delivered **78 hampers (including 25 over Christmas)** containing healthy ingredients and recipes to families across Bromsgrove and Redditch, impacting on **171 children.**



Completed 357 parenting clinics and continued to run 7 parenting groups, impacting on **508 children** in Bromsgrove and Redditch.

Helped 28 homeowners in Bromsgrove District with broken heating systems to get their homes warm again through our Bromsgrove and Redditch Energy Advice Service



Supported 16 local fitness instructors to upskill to meet local health priorities during lockdown including the delivery of virtual classes



Environmental Services Support Team **answered 40,469 phone calls** and **22,156 emails** about bin collections, cleansing, fly tipping etc. between Jan to Dec 2020



Starting Well Worcestershire* supported **174 families** with Family Information Service enquiries (accessing childcare funding) across Bromsgrove and Redditch



Our Main Customer Services Team have responded to **7,455 customer calls** in the past 6 months (Aug 2020 -Jan 2021 inclusive).



Bromsgrove **Test and Trace** scheme has paid **£53,000** to residents, that is **97%** of the money given to us from central government

Installed **6 new recycling bins** on Bromsgrove High Street so that visitors can recycle on the go.



Our crews emptied **1,691 Septic tanks** in 2020



Starting Well Worcestershire* completed **101 Shielded wellbeing checks** across Bromsgrove and Redditch

Starting Well Worcestershire* gave out **200 pumpkins** for Halloween (across Bromsgrove and Redditch), impacting over **170 children** and 10 were donated to a care home.



Got the ball rolling for the **installation of 13 new EV rapid charge points** across Bromsgrove



3,889 phone calls answered by benefits officers offering support to customers who needed assistance with benefit claims and other financial support since the beginning of lockdown 23rd March 2020



* The Starting Well Partnership support families, parents, children, and young people across Worcestershire to lead happy, healthy, and fulfilled lives. Although they work across the county, our officers work on a local level as part of this partnership.

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

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

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

Escalation of issues where required was to the Health Protection Board/Local Resilience Forum/Strategic Co-ordination Group/Tactical Co-ordination Group, with key actions being highlighted. Significant community engagement work was undertaken, including a vaccine hesitancy survey.

We had a team of Covid Advisors working within the District to offer support to businesses and the community. We provided operative support including marshalling and car parking at testing sites.

We worked with our Housing provider, Bromsgrove District Housing Trust (BDHT), to ensure no one was sleeping rough and helped establish and support the County Council's Here to Help initiative. This included facilitating staff to be able to volunteer into job roles to support the community, such as door knocking vulnerable residents.

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

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

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

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

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Governance

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

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council has in place a Governance Framework which is detailed on page 15 and includes the following key elements:

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

The Council undertakes an annual review of its governance arrangements, and this is summarised in the Annual Governance Statement on page 15.

Reserves, Financial Performance and Financial Position

Financial Outlook

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

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

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

- Clarity on how long Covid-19 will last including: how this will affect the delivery of Council services, additional government funding, and the levels of income (including collectable Council Tax and Business Rates)
- Budgetary pressures such as pay inflation and increased contract costs
- Potential further reductions in New Homes Bonus Grant
- Impact of the Localisation of Business Rates scheme, which is now deferred to 2021/22, although the Authority remains in the Worcestershire Business Rates Pool
- Impact of now delayed fair funding and the magnitude and length of future Local Government settlements and how these impact on medium term financial planning

The main source of income continues to be Council tax and the Government continue to allow Councils to increase Council Tax by 4.99% or £5 per annum without a referendum. The Medium Term Financial Plan assumes a further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is reflected in **Table 3** and shows that the Council has a balanced budget in 2021/22 but needs to address a shortfall in future years ranging from £1.099m in 2022/23 to £1.472m in 2023/24 to avoid using general reserves to balance the budget.

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Table 3 – Medium Term Financial Plan

	2021/22	2022/23	2023/24
	£000	£000	£000
Departmental base budget	11,571	11,511	11,325
Incremental Progression/Inflation on Utilities	59	50	74
Unavoidable Pressures	524	340	409
Revenue Bids & Revenue impact of capital bids	65	48	25
Savings and Additional Income	(426)	(474)	(405)
Changes in Specific Grant/Funding Movements	195	197	254
Net Revenue Budget Requirement	11,988	11,672	11,682
Financing			
Funding from reserves	(638)	(100)	0
Lower Tier Services Grant	(804)	0	0
Business Rates Net Position	(2,474)	(2,510)	(2,510)
New Homes Bonus	(656)	(295)	0
Collection Fund Deficit(Council Tax)	36	0	0
Council Tax	(8,665)	(8,924)	(9,243)
Investment Income	(150)	(250)	(333)
Interest Payable	444	527	529
MRP(Principle)	1,025	1,193	1,387
Discount on advanced pension payment	(128)	(214)	(40)
Funding Total	(12,010)	(10,573)	(10,210)
General Balances	2021/22	2022/23	2023/24
	£0	£0	£0
Opening Balances 20/21(projected)	4,284	4,306	3,207
Contribution(from)/to General Balances	22	(1,099)	(1,472)
Closing Balances	4,306	3,207	1,735

Risks and Opportunities

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

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

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

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis is set out in **Note 7** to the Accounts. The objective is to demonstrate to council taxpayers how the funding available to the authority (i.e. Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is

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presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net outturn compared with the budget for 2020/21 is shown in **Table 4**. This shows that the revenue outturn position was underspent by £0.229m in total.

Table 4 – Net outturn compared to budget for 2020/21

Service	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Revised Actuals	2020/21 Variance
	£	£	£	£
Regulatory Client	207,208	194,818	210,946	16,128
Business Transformation & Organisational Development	1,707,974	1,562,447	1,486,248	(76,199)
Chief Executive	1,585,088	1,844,322	1,928,958	84,636
Community & Housing GF Services	1,076,023	805,300	705,052	(100,248)
Corporate Financing	(11,812,000)	(11,261,625)	(11,514,569)	(252,944)
Environmental Services	2,780,696	2,734,139	3,423,943	689,804
Financial and Customer Services	1,340,726	1,253,385	1,214,559	(38,826)
Legal, Dem & Property Services	1,458,600	1,493,006	1,378,214	(114,792)
Planning, Regeneration & Leisure Services	1,655,685	1,374,208	1,395,385	21,177
Grand Total	0	0	228,736	228,736

The outturn position in **Table 4** is based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the Comprehensive Income and Expenditure Summary (CIES) and the expenditure and funding analysis (EFA). As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the EFA.

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

Business Transformation & Organisational Development (Net underspend £0.076m)

£0.076m underspend on training and organisational development. Training and organisational development underspent on the corporate training budget due to Covid-19 having had a direct impact on the ability to deliver training. There is currently a review being undertaken on how training will be provided moving forwards, including opportunities for moving towards higher levels of remote training as appropriate.

Community & Housing GF Services (Net underspend £0.100m)

- £0.040m underspend on lifeline due to salary savings
- A number of minor underspends spread across a range of budget areas including savings on reallocating demand for temporary accommodation from the Burcot Lane Hostel to BDHT. Covid-19 (and the associated funded programmes) has also led to a reduction in financial pressure / demand associated with homelessness cases

Chief Executive (Net overspend £0.085m)

£0.062m overspend on corporate services due to higher than originally budgeted for pension costs which resulted from budgets not accurately reflecting actuarial updates. These issues have now been resolved within future budgets.

Environmental Services (Net overspend £0.690m)

- £0.339m overspend on waste management due to some additional commercial Waste Disposal Costs. A Business case has been put forward to address this going forwards in the budget. There were also increased costs from Severn Trent on disposal of septic waste and overspends on additional overtime due to out of Hours Callout costs (which is being reviewed corporately). This has now been addressed and amended in the budget for the new financial year

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- £0.101m underspend on tree management due to vacant posts. It should be noted that this area is currently going through a service review
- £0.512m loss of carparking income against budget due to the impact of Covid-19 (noting that these losses are after accounting for some additional support from Government in relation to the sales, fees and charges support)

Financial & Customer Services (Net underspend £0.039m)

£0.041m underspend in accounts and financial management due to significant vacancies. It should be noted that plans are in place to strengthen the Finance Team and recruit to these vacant posts.

Legal, Democratic & Property Services (Net underspend £0.115m)

- £0.039m saving in members and democratic support due to vacancies in the team.
- £0.070m saving in business development due to a combination of salary savings (due to vacancies) and the successful recovery of previous year overcharges on water costs.

Planning, Regeneration & Leisure Services (Net overspend £0.021m)

Development control had an overspend of £0.270m. This was primarily driven by a £0.200m charge due to losing a planning appeal to a developer. This was offset by a number of underspends within planning budgets, due particularly to vacancies (linked to difficulties in recruitment caused by a national scarcity of this skillset) and increased numbers of planning application income (linked to Covid-19). It should be noted that Leisure budgets would have been significantly overspend in year had it not been for the General Covid-19 Grant provided to the Council, which allowed these pressures to be offset.

Corporate Financing (Net underspend £0.253m)

There was a £0.245m saving on interest payable due to a lower than forecast borrowing requirement, lower cost of borrowing and a reduced Minimum Revenue Provision charge (due to underspends on the capital programme)

The budget and budgetary performance for the 2020/21 financial year was significantly impacted by the Covid-19 pandemic. Covid-19 distorted many expenditure budgets – as demonstrated above – typically through reducing income levels significantly (eg car parking), increasing Leisure costs, and reducing some costs areas which were operationally restricted because of Covid.

In recognition of this negative impact on the Council's resources (and particularly for District Councils the reduced income levels achievable for car parks and Leisure), the council was awarded £1.255m General Covid-19 Grant in 2020/21 (and £0.411 million in 2021/22). This income was not budgeted for when the Council set its budget back in February 2020. Strict control was maintained over the accounting for these monies.

In total £0.476m of expenditure was applied from this General Covid-19 Grant in the 2020/21 year, £0.356m of which was paid to the Council's outsourced provider of the Bromsgrove Sports and Leisure Centre. This was in recognition of the impact of Covid-19 on the ability of the provider to operate in accordance with the (pre-Covid) agreed contract.

Reserves

The underspend position has resulted in the Council's General Fund position increasing from an opening position of £4.402m by the underspend position of £0.050m to a closing position of £4.452m.

Earmarked Reserves have increased from an opening position of £6.269m to a closing position of £13.437m. Main changes are

- £1.299m increase in Financial Reserves – mainly for revaluation appeals
- £0.766m in general Covid-19 Grants
- £4.788m of Collection Fund C-19 Grant – to offset 2020/21 non-collection in future years

The Comprehensive Income & Expenditure Statement

This statement, often referred to as the CIES, is on page 23 and shows the expenditure and income in the year incurred in the providing of 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 which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Narrative Report

The Movement in Reserves Statement

This statement, often referred to as MIRS, is set out on page 22. It shows movements in the year on the different reserves held by Bromsgrove, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and 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 are undertaken by the Council.

Balance Sheet

The Balance Sheet set out on page 24 shows the value of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories; the first category being usable reserves. These are 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 is unusable reserves. These are those that the Council is not able to use to fund services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services on the disposal of an asset.

The main changes to the Balance Sheet as at 31st March 2021 are:

The creation of the Worcestershire Business Rate Pilot Pool which has increased the local share of business rate growth from 50% to 75% has shifted activity around the Balance Sheet. This accounts for the majority of the movement in creditors and provisions and is explained in more detail in **Note 5**.

The pension liability has increased from £44.095m as at 31st March 2020 to £48.527m as at 31st March 2021 and this is explained in more detail in **Note 37**. Part of the reason is the £2.151m pensions contributions paid in advance reduced the liability as at 31st March 2020 and the balance of £2.185m is because of actuarial assumptions.

There has been an improved treasury position with short term borrowing reducing from £4.772m as at 31st March 2020 to £4.522m as at 31st March 2021. The reduction in short term borrowing is mainly because of recovery of business rate deficits during 2019/20 from Central Government and Worcestershire County Council and the benefit from having paid the 2020/21 pension contributions in advance. The position is explained in more detail in **Note 5**.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Bromsgrove during the reporting period. The statement shows how we generate and use 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 are funded by way of taxation and grant income or service user receipts. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by lenders to the Council.

In November 2022 the Council were issued with a S24 Statement for the non-delivery of the 2020/21 Accounts within the Statutory deadlines. This report was debated by the Audit, Standards and Governance Committee and Full Council and the recommendations accepted. A recovery programme had been put in place in April 2022 due to issues with the implementation of a new financial system on the 8th February 2021. The systems, and staffing issues that led to issues in non-delivery of the accounts were finally rectified in November 2022. Bromsgrove District Council commissioned a Task Group of the Audit Committee to establish the underlying issues of this systems failure and learning points for the future.. This Task Group met in February 2023 and reported back to Audit, Standards and Governance Committee in March 2023. The recommendations of the Task Group were accepted both by the Audit Standards and Governance Committee and then Council.

Narrative Report

Due to the backlog of work requiring rectification a further S24 Statement was issued in October 2024, this time for non-delivery of Audited 2020/21, 2021/22 and 2022/23 Accounts within the Statutory deadlines. The 2020/21 Accounts have only been submitted now with 2021/22 expected to be submitted at the end of June and 2022/23 Accounts at the end of August.

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

The Authority's Responsibilities

Bromsgrove District 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,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets and
- approve the Statement of Accounts.

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

The Director of Finance and Resources is responsible for the preparation of Bromsgrove District Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

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

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

The Director of Finance and Resources has also:

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

The Accounts present a true and fair view of the financial position of Bromsgrove District Council at 31st March 2021 and its income and expenditure for the year ended on that date.

SIGNED Date: 23rd May 2024

Certificate of the Director of Finance and Resources

I certify that:

- (a) the Statement of Accounts for the year ended 31st March 2021 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 43.
- (b) in my opinion, the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....**Date: 23rd May 2024**

Director of Finance and Resources

Authority Approval of Statement of Accounts

These accounts were approved by audit, standards and governance committee on 23rd May 2024.

.....**Date: 23rd May 2024**

Chairman

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

ANNUAL GOVERNANCE STATEMENT 2020/21

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and 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 Bromsgrove District Council's Policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

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

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompasses a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan 2019 - 2023 is in place and reflects the activities that need to be undertaken by the Council to further support the delivery of these purposes. The Plan was reviewed and revised during 2020 to reflect community needs with changes made to the Strategic Purposes and priorities which were approved by the Council
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council. The Council has a dedicated partnership manager who liaises with community groups and other partners
- Performance reports are presented to members on a quarterly basis in relation to the strategic purpose delivery and the associated measures in place.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the District
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council. The cross-party Constitution working group considers changes and updates to the roles and responsibilities
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

ANNUAL GOVERNANCE STATEMENT 2020/21

- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chairmanship and specific Committee based training
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols. Updates are presented to the Audit, Standards and Governance Committee by the monitoring officer at each meeting
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers
- Decision making is carried out through Cabinet, Planning Committee and Audit, Standards and Governance Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council
- Robust financial management arrangements in place through regular budget monitoring, online purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, which was implemented in 2020/21
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2020/21
- The Constitution clearly defines the roles of Monitoring Officer, S151 Officer and Head of Paid Service
- Regular press releases and social media updates are provided. Better Bromsgrove Together is sent to residents to inform them of the Council's activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered

Review of Effectiveness

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

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

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

ANNUAL GOVERNANCE STATEMENT 2020/21

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

Audit, Standards and Governance Committee

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

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

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

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

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

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

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

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

Significant Governance Issues

In relation to the internal audit reports for 2020/21 one area received an assurance level of 'no assurance'. This was Risk Assurance.

A clear management action plan has been formulated to address the issues identified in the audit area where 'no' assurance was identified to mitigate the risk. There is a clear understanding that further work is required to embed risk management throughout the organisation with the action plan being formulated by the Finance and Customer Services Manager.

Conclusion and Evaluation

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

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

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

ANNUAL GOVERNANCE STATEMENT 2020/21

next annual review.

Signed
Chief Executive

Date: 23rd May 2024

Signed
Leader of the Council

Date: 23rd May 2024

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

INTERNAL AUDITOR'S REPORT

Worcestershire Internal Audit Shared Services Manager's Opinion on the effectiveness of the system of Internal Control at Bromsgrove District Council for the year ended 31st March 2021

Internal Audit Opinion

Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

Due to the global Covid-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

Overall Governance Conclusion

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

Risk Management Conclusion

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

Audit Opinion

The internal audit of Bromsgrove District Council's systems and operations during 2020/21 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 5th March 2020. This required a significant and subsequent revision due to the impact of the pandemic.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for five District Councils and increased to six partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

INTERNAL AUDITOR'S REPORT

resources.

The Internal Audit Plan for 2020/2021 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

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

The 2020/21 internal audit plan was heavily revised due to the Covid-19 global pandemic. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

At the time of writing this opinion in relation to the 12 reviews undertaken, all have been finalised. An area which returned an assurance level of 'no' assurance was risk assurance.

A clear management action plan has been formulated to address the issues identified in the audit area where 'no' assurance was identified to mitigate the risk. There is a clear understanding that further work is required to embed risk management throughout the organisation with the action plan being formulated by the Finance and Customer Services Manager.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including a lack of awareness regarding a handbook and a requirement to update antifraud and corruption procedures. No areas of significant risk have been identified in addition to those already identified in the audit work completed.

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

Ten of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The critical friend review that was undertaken did not provide an overall assurance but did report on potential lessons learnt. It is difficult to draw a comparison with the previous year results and corporate position due to the impact the pandemic had.

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

Andy Bromage

Head of Internal Audit Shared Service

Worcestershire Internal Audit Shared Service

Jul-21

The Core Financial Statements

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

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

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000	Total Authority Reserves £000	Authority Share of Subsidiary £000	Total Authority Reserves Group £000
Balance as at 1 April 2019	4,926	5,777	10,703	988	11,691	(24,033)	(12,342)	(12,342)	5,218	(7,124)
Movement in reserves during the year										
Total Comprehensive Income and Expenditure	(3,401)	0	(3,401)	0	(3,401)	2,671	(730)	(730)	0	(730)
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,369	0	3,369	(376)	2,993	(2,993)	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(32)	0	(32)	(376)	(408)	(322)	(730)	(730)	0	(730)
Transfers to or from earmarked reserves	(492)	492	0	0	0	0	0	0	(4,209)	(4,209)
Increase/(Decrease) in Year	(524)	492	(32)	(376)	(408)	(322)	(730)	(730)	(4,209)	(730)
General Fund analysed over:										
Amounts Held in Earmarked Reserves (Note 10)	6,269	0	0	0	0	0	0	0	0	0
Other Amounts	(1,867)	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2020	4,402	6,269	10,671	612	11,283	(24,355)	(13,072)	(13,072)	1,009	(12,063)
Movement in reserves during the year										
Total Comprehensive Income and Expenditure	4,939		4,939		4,939	(3,125)	1,814	1,814	0	1,814
Adjustments between accounting basis & funding basis under regulations (Note 9)	6,018	(3,739)	2,279	(530)	1,749	(9,468)	(7,719)	(7,719)	0	(7,719)
Net Increase/Decrease before Transfers to Earmarked Reserves	10,957	(3,739)	7,218	(530)	6,688	(12,593)	(5,905)	(5,905)	0	(5,905)
Transfers to or from earmarked reserves	(10,907)	10,907	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	50	7,168	7,218	(530)	6,688	(12,593)	(5,905)	(5,905)	0	(5,905)
Balance Sheet as at 31 March 2021	4,452	13,437	17,889	82	17,971	(36,948)	(18,977)	(18,977)	1,009	(17,968)

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

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

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

		2020/21			2019/20		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority		8,045	(2,803)	5,243	7,308	(3,063)	4,245
Help me be financially independent		12,211	(12,100)	110	13,609	(13,359)	250
Help me find somewhere to live in locality		2,546	(613)	1,934	1,391	(541)	850
Help me run a successful business		29,818	(29,798)	20	1,007	(1,466)	(459)
Help me to live my life independently		254	(363)	(109)	1,196	(392)	804
Keep my place safe and looking good		19,746	(12,497)	7,249	15,674	(8,050)	7,624
Provide good things for me to see do and visit		1,492	(370)	1,122	5,430	(213)	5,217
Cost of Services		74,112	(58,543)	15,569	45,615	(27,084)	18,531
Other Operating Expenditure	11	2,021	0	2,021	844	0	844
Financing and Investment Income and Expenditure	12	5,901	(1,921)	3,980	1,088	(15)	1,073
Taxation and Non-Specific Grant Income and Expenditure	13	3	(26,511)	(26,508)	2	(17,049)	(17,047)
(Surplus) or Deficit on Provision of Services				(4,939)			3,401
Surplus or deficit on revaluation of Property, Plant and Equipment	14			650			(2,276)
Remeasurement of the net defined benefit liability/(asset)	37			2,475			(395)
Other Comprehensive Income and Expenditure				3,125			(2,671)
Total Comprehensive Income and Expenditure				(1,814)			730

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

Balance Sheet as at 31st March 2021

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

	Notes	31st March 2021	31st March 2020
		£000	£000
Property, Plant & Equipment	14/14a	41,142	42,535
Intangible Assets	16	453	416
Assets held for sale	21	0	0
Long Term Debtors	19	330	330
Long Term Assets		41,925	43,281
Short Term Investments	17	0	2,000
Inventories	18	249	229
Short Term Debtors	19	4,953	7,558
Cash and Cash Equivalents	20	2,853	1,393
Assets held for sale	21	0	0
Current Assets		8,055	11,180
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,523)	(4,772)
Short Term Creditors	22	(6,481)	(12,682)
Provisions	23	(1,444)	(189)
Capital Grants received in advance	33	0	0
Revenue Grants received in advance	33	0	(17)
Current Liabilities		(12,448)	(17,660)
Other Long-Term Liabilities	37	(48,527)	(48,414)
Donated Assets Account	41	0	0
Capital Grants received in advance	33	(1,784)	(17)
Revenue Grants received in advance	33	(6,198)	(1,422)
Long Term Liabilities		(56,509)	(49,873)
Net Liabilities		(18,977)	(13,072)
Usable reserves	24	17,971	11,283
Unusable Reserves	25	(36,948)	(24,355)
Total Reserves		(18,977)	(13,072)

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

Cash Flow Statement at 31st March 2021

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

	Notes	2020/21 £000	2019/20 £000
Net surplus or (deficit) on the provision of services		4,939	(3,401)
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	6,127	8,594
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	0	(1,684)
Net cash flows from Operating Activities		11,066	3,509
Investing Activities	27	(9,391)	(1,827)
Financing Activities	28	(215)	(1,975)
Net increase or (decrease) in cash and cash equivalents		1,460	(293)
Cash and cash equivalents at the beginning of the reporting period		1,393	1,686
Cash and cash equivalents at the end of the reporting period		2,853	1,393

Bromsgrove District Council

Financial Statements for the year ended 31st March 2021

Notes to the Core Financial Statements



Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 1 Accounting Policies

General Principles

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

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

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

Summary of Significant Accounting Policies

1) Revenue and Expenditure Recognition

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

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- The council has set a de-minimis level for accruals of creditors and debtors that are calculated manually to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt

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

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £500
- Accruals posted based on orders that have been goods receipted on the Tech One system.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

2) Cash and Cash Equivalents

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

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

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

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

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

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 non-current assets during the year:

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

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

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Accounting for Council Tax and NDR

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

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

6) Employee Benefits

Benefits Payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

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

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)
- The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors)
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

- **Service cost comprising:**
 - current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
 - past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
 - net interest on the net defined benefit liability i.e.net interest expense for the Authority – change during the period and the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit.

Liability at the beginning of the period – considering any changes in the net defined benefit liability during the period because of contribution and benefit payments.

- **Remeasurements comprising:**
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability charged to Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities not accounted for as an expense.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because 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.

7) Events After the Reporting Period

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

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

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

8) Fair Value Measurement

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

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

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Authority considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Authority uses valuation techniques that are appropriate in the circumstances and for

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

9) Financial Instruments

Financial Liabilities

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

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

Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial Assets

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

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

Financial assets are classified into the following categories:

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

- **Financial Assets at Amortised Cost**

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

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

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

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

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

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

- **Impairment**

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

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

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

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

10) Government Grants and Contributions

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

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

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

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

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

11) Heritage Assets

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see accounting policy 19.

12) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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 (MIRS) and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13) Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14) Inventories and Long-Term Contracts

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

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

15) Joint Operations

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

16) Leases

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

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

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

The Authority as Lessee Finance Leases

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

17) Materiality

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

18) Overheads and Support Services

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

19) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement (CIES), they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement (MIRS).

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

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

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES)
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES), up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight line over the useful life, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-Current Assets Held for Sale

When 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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement (MIRS).

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

20) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future

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events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

21) Reserves

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

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

22) Revenue Expenditure Funded from Capital under Statute

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

23) Shared Services

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council. A number of other shared services are hosted by Redditch Borough Council (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 Bromsgrove District Council with a monitoring report prepared for the partner authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Bromsgrove District 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 Redditch Borough Council all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets

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purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the authority that purchased the asset only.

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

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

24) Value Added Tax (VAT)

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

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

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

- There is an amendment to IFRS 16 Leases. This standard was due to be implemented on 1st April 2020, but this has now been delayed until 1st April 2024.

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

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

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £13.437m and General Fund Balances of £4.452m.

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

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Notes to the Financial Statements for the year ended 31st March 2021

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in **Note 15**.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20th May 2020 which ruled that automatic teller machines (ATM) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list.

Both the ATM and GP Surgeries outcome was concluded in the 2020/21 financial year. Full provision is made in the provision for business rate appeals as at 31st March 2020 and settlements in year have seen these balances reduce. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced.

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

This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert to 40%.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE would increase by £0.543m if the life of all the depreciated assets reduced by one year. The majority of the change (£0.440m) is on vehicles, plant and equipment (VPE) where the assets already have a short life, and a one-year reduction is significant. Past experience is that VPE outlives the

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2.5m. Further sensitivity analysis can be seen in the defined benefit pension scheme note.
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The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

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

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

Note 5 Material Items of Income and Expense

The 2020/21 Accounts had several material items which are summarised below:

- Operational Building Revaluations loss of £0.650km
- Increase of £5.866m in revaluation of Artix Building reported in the Group Assets
- An Increase in the Pension Deficit by £2.2m

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

- 1) Distribution of £28.899m of Grants to business through a variety of schemes which were fully supported the Government Department for Business, Energy and Industrial Strategy (BEIS). These Grants were fully reimbursed by the Government. These grants were paid to 4,018 businesses
- 2) Receipt of £1.255m of General Grant from the Department of Levelling Up Housing and Communities (DLUHC) to recompense Councils for the delivery of services during the Pandemic
- 3) There was a significant reduction in Sales, Fees and Charges income due to the Pandemic. The Council was required to send monthly returns to DLUHC to enable them to understand the impact the pandemic was having on their delivery of services. The Council received £1.152m for lost sales, fees and charges income through the completion of these returns
- 4) There has been an increase in the pension deficit from £48.4m to £52.6m. **Note 37** provides a detailed analysis of the pension changes.

The Council received Section 31 Grant for non-collection of Tax income during the 2020/21 financial year. This amounts to £4.6m. This figure was £6.2m higher at £10.8m, but the Council repaid £6.2m as a payment on account during 2021/22 and so the figure is treated as a Grant Creditor at year end.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 6 Events after the Reporting Period

Business Rate Appeal Decisions (adjusting)

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

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

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

A provision of £0.180m was included within the business rates appeals in 2019/20 for the settlement of the ATM's case which will be settled in 2020/21 and £0.167m for GP Surgeries. These amounts have been drawn down during the 2020/21 financial year.

Further information on the provision for appeals is contained within **Note 23**.

Advance Payment to the Worcestershire Pension Fund (non-adjusting)

In April 2020 an upfront payment of £6.251m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2020/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 7 Expenditure Funding Analysis (EFA)

2020/21			Strategic Purpose	2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
5,734	491	5,243	Enabling of the Authority	5,281	1,036	4,245
165	55	110	Help me be financially independent	195	(55)	250
2,184	250	1,934	Help me find somewhere to live in my locality	633	(217)	850
81	61	20	Help me run a successful business	(96)	(61)	(35)
(109)	0	(109)	Help me to live my life independently	(520)	(900)	380
10,118	2,869	7,249	Keep my place safe and looking good	4,368	(3,256)	7,624
1,767	645	1,122	Provide good things for me to see do and visit	1,761	(3,456)	5,217
19,940	4,371	15,569	Net Cost of Services	11,622	(6,909)	18,531
(20,507)	0	(20,507)	Other Income and Expenditure	(11,589)	3,541	(15,130)
(568)	4,371	(4,939)	Surplus or Deficit	33	(3,368)	3,401

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 7a Notes to the Expenditure Funding Analysis

2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	102	389			491
Help me be financially independent	55				55
Help me find somewhere to live in my locality	185	65			250
Help me run a successful business	61				61
Help me to live my life independently	0	0			0
Keep my place safe and looking good	1,122	1,747			2,869
Provide good things for me to see do and visit	645				645
	0				0
Net Cost of Services	2,170	2,201	0	0	4,371
Other Income and Expenditure from the Expenditure and Funding Analysis					0
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,170	2,201	0	0	4,371

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 8 Expenditure and Income Analysed by Nature

The Authority's expenditure and income are analysed as follows;

Expenditure:	2020/21 £000	2019/20 £000
Employee Benefits Expenses	18,163	15,529
Other Expenditure	53,938	28,007
Depreciation, Amortisation, Impairment	2,120	2,082
Interest Payments	5,900	1,088
Precepts and Levies	952	911
Gain on the Disposal of Assets	(69)	(71)
Income:	2020/21 £000	2019/20 £000
Fees, Charges, and other service Income	(7,767)	(13,500)
Interest and Investment Income	(1,925)	(15)
Income for Council tax, non-domestic rates, district rate income	(24,013)	(13,735)
Government grants and Contributions	(45,657)	(16,541)
Internal Recharges	(6,580)	(354)
(Surplus) or Deficit on the Provision of Services	(4,939)	3,401

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

2020/21	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Business Rates Supplement Revenue Account £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.					
Pension cost (transferred to (or from) the Pensions Reserve)	3,822	0	0		(3,822)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0		0
Council tax and NDR (transfers to or from the Collection Fund)			0	0	
Holiday pay (transferred to the Accumulated Absences reserve)	0	0	0		0
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0		0		0
Reversal of entries included in the Surplus or Deficit on the Provision of Services for capital expenditure (these items are charged to the Capital Adjustment Account)	2,917	0	0		(2,917)
Total Adjustments to Revenue Resources	6,739	0	0	0	(6,739)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds -revenue to the Capital Receipts Reserve	0	0	0		0
Statutory Provision for the repayment of debt (transfer to Capital Adjustment Account)	(721)	0	0		721
Capital expenditure financed from revenue balances (transfer the Capital Adjustment Account)	0	0	0		0
Total Adjustments to Revenue Resources	(721)	0	0	0	721
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0		(531)		531
Total Adjustments to Capital Resources	0	0	(531)	0	531
Total Adjustments	6,018	0	(531)	0	(5,487)

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Usable Reserves					
2019/20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Business Rates Supplement Revenue Account £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.					
Pension cost (transferred to (or from) the Pensions Reserve)	2,580	0	0	0	(2,580)
Council tax and NDR (transfers to or from the Collection Fund)	(2,397)		0	0	2,397
Holiday pay (transferred to the Accumulated Absences reserve)	6	0	0	0	(6)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,006	0		0	(5,006)
Total Adjustments to Revenue Resources	5,195	0	0	0	(5,195)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(67)	0	67		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(664)	0	0		664
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,095)	0	0		1,095
Total Adjustments to Revenue Resources	(1,826)	0	67	0	1,759
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			(443)		443
Cash payments in relation to deferred capital receipts					
Total Adjustments to Capital Resources	0	0	(443)	0	443
Total Adjustments	3,369	0	(376)	0	(2,993)

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 10 Movement in Earmarked Reserves

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

	Balance as at 1 April 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance as at 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	62	29	(22)	69	34	(21)	82
Business Transformation	0	0	0	0	0	0	0
Commercialism	34	0	(24)	10	0	(10)	0
Community Safety	0	0	0	0	0	0	0
Community Services	31	41	(31)	41	251	(21)	271
Economic Regeneration	476	1,152	(285)	1,343	157	(152)	1,348
Election Services	87	24	(15)	96	5	(50)	51
Environmental Services	8	0	(6)	2	47	0	49
Financial Services	3,619	1,970	(2,443)	3,146	1,299	0	4,445
Housing Schemes	512	145	(181)	476	157	(145)	488
ICT/Systems	164	55	(15)	204	0	(7)	197
Leisure/Community Safety	266	180	(155)	291	160	(121)	330
Litigation Reserve	0	0	0	0	0	0	0
Local Development Framework	30	0	(30)	0	0	0	0
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Other	86	35	(6)	115	0	(7)	108
Planning & Regeneration	30	115	(37)	108	25	0	133
Regulatory Services (Partner Share)	38	3	(7)	34	12	0	46
Replacement Reserve (Inc. Recycling)	0	0	0	0	0	0	0
Shared Services (Severance Costs)	311	0	0	311	0	0	311
Covid-19 (General Covid Grant)	0	0	0	0	766	0	766
Covid-19 (Collection Fund)	0	0	0	0	4,789	0	4,641
Total General Fund	5,777	3,749	(3,257)	6,269	7,554	(534)	13,437

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 11 Other Operating Expenditure

	2020/21 £000	2019/20 £000
Parish council precepts	952	911
(Gains)/losses on the disposal of non-current assets	1,069	(67)
Total	2,021	844

Note 12 Financing and Investment Income and Expenditure

	2020/21 £000	2019/20 £000
Interest payable and similar charges	44	32
Net interest on the net defined benefit liability (asset)	3,940	1,056
Interest receivable and similar income	(4)	(15)
Total	3,980	1,073

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2020/21 £000	2019/20 £000
Income		
Council Tax Income	(10,023)	(9,252)
Non-Domestic Rates Income and Expenditure	(13,990)	(4,483)
Collection Fund Adjustment Account		0
Non-ring-fenced government grants	(1,785)	(1,695)
Capital Grants and Contributions	(970)	(1,617)
Total	(26,508)	(17,047)

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 14 Property, Plant and Equipment Current Year

Property, Plant & Equipment (PP&E)								
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2020	8,904	22,135	17,346	1,392	832	271	2,501	53,381
Adjusted opening balance	8,904	22,135	17,346	1,392	832	271	2,501	53,381
Additions (Note 35)	0	713	1,025	16	269	257	0	2,280
Revaluation increases/decreases to Revaluation Reserve	(968)	318	0	0	0	0	0	(650)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,012)	(57)	0	0	0	0	0	(1,069)
Reclassifications & Transfers	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	6,924	23,109	18,371	1,408	1,101	528	2,501	53,942
Depreciation and Impairment								
Balance as at 1 April 2020	0	(453)	(9,912)	(481)	0	0	0	(10,846)
Adjustments between cost/value & depreciation/impairment								0
Adjusted opening balance	0	(453)	(9,912)	(481)	0	0	0	(10,846)
Depreciation Charge	0	(594)	(1,402)	(68)	0	0	0	(2,064)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	110	0	0	0	0	0	110
Other movements	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	0	(937)	(11,314)	(549)	0	0	0	(12,800)
Net Book Value								
Balance as at 31 March 2021	6,924	22,172	7,057	859	1,101	528	2,501	41,142
Balance as at 31 March 2020	8,904	21,682	7,434	911	832	271	2,501	42,535

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 14a Comparative Year

Property, Plant & Equipment (PP&E)								
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2019	7,999	24,733	16,618	1,011	832	94	2,393	53,680
Adjusted opening balance	7,999	24,733	16,618	1,011	832	94	2,393	53,680
Additions (Note 35)	0	1,297	459	381	0	177	0	2,314
Revaluation increases/decreases to Revaluation Reserve	885	471	280	0	0	0	(11)	1,625
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(430)	(4,366)	0	0	0	0	569	(4,227)
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other								0
Reclassifications & Transfers	450	0	0	0	0	0	(450)	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Other movements	0	0	(11)	0	0	0	0	(11)
Balance as at 31 March 2020	8,904	22,135	17,346	1,392	832	271	2,501	53,381
Depreciation and Impairment								
Balance as at 1 April 2019	0	(949)	(8,878)	(432)	0	0	0	(10,259)
Adjusted opening balance	0	(949)	(8,878)	(432)	0	0	0	(10,259)
Depreciation Charge	0	(589)	(1,309)	(49)	0	0	0	(1,947)
Depreciation written out on Revaluation Reserve	0	387	264	0	0	0	0	651
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	698	0	0	0	0	0	698
Derecognition - Disposals	0	0	0	0	0	0	0	0
Other movements	0	0	11	0	0	0	0	11
Balance as at 31 March 2020	0	(453)	(9,912)	(481)	0	0	0	(10,846)
Net Book Value								
Balance as at 31 March 2020	8,904	21,682	7,434	911	832	271	2,501	42,535
Balance as at 31 March 2019	7,999	23,784	7,740	579	832	94	2,393	43,421

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 15 Group Accounts

Nature of relationship between Bromsgrove District Council and Bromsgrove Arts Development Trust

The Bromsgrove Arts Development Trust was established on 23rd April 2003 by Trust Deed.

On 1st April 2020, the ownership of the building transferred back to Bromsgrove District Council following the Trust becoming insolvent.

The annual income is below the level for which group accounts are required to be produced.

Note 16 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.107m (£0.135m 2019/20) charged to revenue in the current year was charged to the service area using the software, the largest being IT, Finance and Revenues. All software is assigned a useful life of seven years.

The Movement in Intangible Assets for the Year is as follows:

	2020/21	2019/20
	Other Assets £000	Other Assets £000
Balance at start of year:		
· Gross carrying amounts	3,902	3,665
· Accumulated amortisation	(3,486)	(3,351)
Net carrying amount at start of year	416	314
Additions:		
· Internal development		
· Purchases	381	237
· Acquired through business combinations		
Derecognition Other	0	0
Net carrying amount after additions	797	551
Derecognition Other	(237)	
Amortisation for the period	(107)	(135)
Net carrying amount at end of year	453	416
Comprising:		
· Gross carrying amounts	4,283	3,902
· Accumulated amortisation	(3,829)	(3,486)
Total	453	416

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 17 Financial Instruments

	Long-term		Current	
	31/03/2021 £000	31/03/2020 £000	31/03/2021 £000	31/03/2020 £000
Cash and Cash Equivalents	0	0	1,924	1,393
Total Cash and Cash Equivalents	0	0	1,924	1,393
Investments				
Loans and receivables	0	0	0	2,000
Total investments	0	0	0	2,000
Debtors				
Loans and receivables	330	330	4,953	7,109
Total Debtors	330	330	4,953	7,109
Borrowings				
Financial liabilities at amortised cost	0	0	(4,500)	(4,750)
Financial liabilities at fair value through profit and loss	0	0	(23)	(22)
Total borrowings	0	0	(4,523)	(4,772)
Other Long-Term Liabilities				
Bank overdraft	0	0	0	0
Total other long term liabilities	0	0	(4,523)	(4,772)
Creditors				
Financial liabilities carried at contract amount	0	0	(6,481)	(12,682)
Total creditors	0	0	(6,481)	(12,682)

Note 18 Inventories

	Consumable Stores	
	2020/21	2019/20
	£000	£000
Balance outstanding at start of year	229	229
Purchases	20	615
Recognised as an expense in year	0	(614)
Written off balances	0	(1)
Balance outstanding at year end	249	229

Note 19 Debtors

	Long term debtors		Short term debtors	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Central Government Bodies	0	0	(1,502)	882
Other Local Authorities	0	0	2,541	3,641
Other entities and individuals	330	330	5,749	4,326
Less bad debt provision	0	0	(1,835)	(1,291)
Total	330	330	4,953	7,558

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Included within the debtors balance are provisions for bad and doubtful debts which reduce the value of the related debtor as per the breakdown below:

	2020/21 £000	2019/20 £000
General Fund Debtors	79	61
Council Tax	1,987	419
NNDR	8	8
Housing Benefit	815	803
Total	2,889	1,291

Note 20 Cash and Cash Equivalents

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

	2020/21 £000	2019/20 £000	2018/19 £000
Cash and Bank balances	2,853	1,393	1,687
Bank Overdraft	0	0	0
Total	2,853	1,393	1,687

Note 21 Assets Held for Sale

No Assets Held for Sale in 2020/21

Note 22 Creditors

	Short term creditors	
	2020/21 £000	2019/20 £000
Central Government bodies	(312)	(3,719)
Other local authorities	(3,262)	(6,760)
Other Entities and Individuals	(2,907)	(2,203)
Total	(6,481)	(12,682)

Note 23 Provisions

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Unwinding of discounting £000	Balance as at 31 March 2021 £000
Business Rates Appeals	0	(1,251)			(1,251)
Employee Benefits	(189)	0	0	0	(189)
Insurance Provision	0	(4)	0		(4)
Total	(189)	(1,255)	0	0	(1,444)

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Comparative Year

	Balance as at 1 April 2019 £000	Change in provision during year £000	Utilised during year £000	Unwinding of discounting £000	Balance as at 31 March 2020 £000
Business Rates Appeals	(1,311)	1,311	0	0	0
Employee Benefits	(183)	(6)	0	0	(189)
Insurance Provision	(67)	67	0	0	0
Total	(1,561)	1,372	0	0	(189)

Business Rates Appeals Provision

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

Unlike previous years there is no allocation of the business rate appeals to the Council because of the arrangements in place which started in 2019/20 whereby Worcestershire County Council have taken the lead on a Pilot Business Rate Pool covering all of Worcestershire securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

An insurance provision was created in 2017/18 to cover the cost of a potential levy from Municipal Mutual Insurance Limited (MMI). MMI previously provided assets, employer and public liability insurance to the Council but is now in administration. The levy represents 25% of the claims. On further investigation in 2019/20 it was identified that the levy had been paid to MMI on 14th April 2016 and the provision can now be released.

Note 24 Useable Reserves

	31/03/2021 £000	31/03/2020 £000
General Fund Balances	4,452	4,402
Earmarked Reserves	13,437	6,269
Capital Receipts Reserve	82	612
Total Useable Reserves	17,971	11,283

Capital Receipts Reserve

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

	31/03/2021 £000	31/03/2020 £000
Balance 1 April	612	988
Capital Receipts in year	0	67
Sub-Total	612	1,055
Less:		
Capital Receipts used for financing	(530)	(443)
Balance 31 March	82	612

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Since 1st April 2016 local authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. Of the available £0.612m held at 31st March 2020, £0.53m were used.

Note 25 Unusable Reserves

	31/03/2021	31/03/2020
	£000	£000
Revaluation Reserve	7,344	7,992
Capital Adjustment Account	13,641	15,715
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve (England and Wales)	0	0
Pensions Reserve	(52,665)	(48,429)
Collection Fund Adjustment Account	(5,080)	556
Accumulated Absences Account	(189)	(189)
Total Unusable Reserves	(36,948)	(24,355)

Revaluation Reserve

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

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

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

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	7,992	5,832
Upward revaluation of assets	(648)	2,276
Surplus or deficit on revaluation of non-current assets not posted	(648)	2,276
Difference between fair value depreciation and historical cost depreciation	0	(116)
Revaluation balances on assets scrapped or disposed of	0	0
Amount written off to the Capital Adjustment Account	0	(116)
Derecognition of Property disposed of	0	0
Balance at 31st March	7,344	7,992

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

cost basis). The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

	31/03/2021		31/03/2020	
	£000	£000	£000	£000
Balance at 1st April		15,715		18,403
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(2,064)		(1,947)	
Revaluation losses on Property, Plant and	(1,068)		(3,529)	
Amortisation of Intangible Assets	(107)		(135)	
Revenue expenditure funded from capital under statute	(746)		(1,012)	
		(3,985)		(6,623)
Adjusting amounts written out of the Revaluation Reserve				116
Net written out amount of the cost of non-current assets consumed in the year		(287)		(6,507)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	531		443	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	96		1,617	
Statutory provision for the financing of capital investment charged against the General Fund	721		664	
Capital expenditure charged against the General Fund	63		1,095	
		1,911		3,819
Reclassification from Fixed Assets to Long Term		0		0
Balance at 31st March		13,641		15,715

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2021	31/03/2020
	£000	£000
Balance at 1st April	(48,429)	(46,244)
Remeasurements of the net defined benefit liability/(asset)	(2,333)	395
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,902)	(5,113)
Employers pensions contributions and direct payments to pensioners payable in the year		2,533
Balance at 31st March	(52,665)	(48,429)

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of the differences between statutory treatment and accounting treatment of Council tax and Business Rates.

	31/03/2021 £000	31/03/2020 £000
Balance at 1st April	556	(1,841)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,636)	2,397
Balance at 31st March	(5,080)	556

Accumulated Absences Account

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

	31/03/2021 £000	31/03/2020 £000
Balance at 1st April	(189)	(183)
Settlement or cancellation of accrual made at the end of the preceding year	189	183
Amounts accrued at the end of the current year	(189)	(189)
Balance at 31st March	(189)	(189)

Note 26 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items:

	2020/21 £000	2019/20 £000
Interest Received	(4)	(32)
Interest Paid	44	15

	2020/21 £000	2019/20 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	2,064	1,947
Impairment & downward valuations	1,069	3,529
Amortisation	107	135
(Increase)/Decrease in Debtors	(2,273)	(1,702)
Increase/(Decrease) in Creditors	(53)	1,330
Increase in Inventories	(20)	0
Movement in pension liability	3,866	4,731
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	0	0
Other items charged to the net surplus or deficit on provision of services	1,367	(1,376)
Total	6,127	8,594

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	0	(67)
Any other items	0	(1,617)
Total	0	(1,684)

Note 27 Cash Flow from Investing Activities

	2020/21 £000	2019/20 £000
Purchase of PP&E, investment property and intangible assets	(2,225)	(2,126)
Purchase of Short-Term Investments (not considered to be cash equivalents)	0	(90,000)
Other Payments for Investing Activities	(4,834)	(11)
Proceeds from the sale of PP&E, investment property and intangible assets	0	67
Proceeds from Short Term Investments (not considered to be cash equivalents)	2000	88,000
Other Receipts from Investing Activities	(4,332)	2,243
Net Cash flows from Investing Activities	(9,391)	(1,827)

Note 28 Cash flows from Financing Activities

	2020/21 £000	2019/20 £000
Cash Receipts from Short- and Long-Term Borrowing	27,500	29,750
Repayment of Short- and Long-Term Borrowing	(27,750)	(38,500)
Other payments for Financing Activities	35	6,775
Net Cash flows from Financing Activities	(215)	(1,975)

Note 29 Reconciliation of Liabilities from Financial Activities

2020/21

	Long Term Borrowing £000	Short Term Borrowing £000
Balance as at 1 April 2020	0	4,751
Cashflows:		
Repayments	0	(27,751)
Borrowing	0	27,523
Balance as at 31 March 2021	0	4,523

The underlying requirement for short term borrowing is to fund the capital financial requirement (see **Note 35**). It is therefore funding property, plant and equipment with long useful lives. In the medium term it is likely that Council will replace short term with long-term borrowing when this is considered to be in the best financial interest of the Council.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 30 Members Allowances

During the year Members allowances, including Employer's costs, totalled £0.212m (2019/20 £0.216m) and are as follows:

	2020/21 £000	2019/20 £000
Basic Allowances	140	140
Special Allowances	66	65
Expenses Inc. Car Allowances	6	11
Total	212	216

Note 31 External Audit Costs

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

	2020/21 £000	2019/20 £000
Housing Benefit Fee Variations	0	2
Fee Variations agreed for External Audit *	24	8
Housing Benefit Audit	12	13
Fees payable with regard to external audit services carried out by the appointed auditor for the year	37	45
Estimated Additional fees to be incurred	0	4
Total	73	72

Note 32 Employee Remuneration

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive – Kevin Dicks	2020/21	139,045	24,750	163,795	81,898	81,898
	2019/20	135,317	19,486	154,803	77,402	77,402
Executive Director of Finance & Resources	2020/21	66,302	11,169	77,471	38,736	38,736
	2019/20	100,134	14,419	114,554	57,277	57,277
Head Of Legal & Democratic Services	2020/21	85,095	15,147	100,242	50,121	50,121
	2019/20	82,814	11,925	94,739	47,370	47,370
Total	2020/21	290,442	51,066	341,508	170,754	170,754
	2019/20	318,265	45,830	364,096	182,048	182,048
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2020/21	111,236	20,681	131,917	65,959	65,959
	2019/20	108,254	15,913	124,167	62,084	62,084

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Total	2020/21	111,236	20,681	131,917	65,959	65,959
	2019/20	108,254	15,913	124,167	62,084	62,084

Senior Employees' Remuneration

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

Redditch Borough Council		
	2020/21	2019/20
£50,001 to £55,000	1	0
£55,001 to £60,000	0	2
£60,001 to £65,000	1	1
£65,001 to £70,000	0	1
£70,001 to £75,000	0	0
£75,001 to £80,000	1	0
£80,001 to £85,000	0	3
£85,001 to £90,000	3	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
Total	6	7

Bromsgrove District Council		
	2020/21	2019/20
£50,001 to £55,000	0	2
£55,001 to £60,000	2	9
£60,001 to £65,000	9	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	1
£85,001 to £90,000	1	0
£90,001 to £95,000	0	1
£95,001 to £100,000	1	0
Total	13	15

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	0	0	4	0	4	0	39,247	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£101,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Total cost included in bandings	39,247	0
Recharge to Redditch Borough Council	(19,623)	0
Recharge to Worcestershire Regulatory Services	0	0
Cost to Bromsgrove District Council	19,624	0
Exit Packages undertaken by Redditch Borough Council with a shared cost to Bromsgrove District Council	0	0
Total cost included in the CIES	19,624	0

Note 33 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2020/21.

Credited to Taxation and Non-Specific Grant Income	2020/21	2019/20
	£000	£000
Revenue Support Grant	0	0
New Homes Bonus	(1,776)	(1,589)
Section 31	0	0
Capital Grants	(596)	(1,617)
Non ring-fenced Grant	(9)	(106)
Total	(2,381)	(3,312)
Credited to Services	2020/21	2019/20
	£000	£000
MHCLG Local Council Tax Support Admin Subsidy	(19)	(70)
MHCLG New Burdens	0	(20)
MHCLG NNDR Cost of Collection	(127)	(126)
MHCLG Homelessness Grants	(263)	(101)
MHCLG Planning Enforcement Grants	0	(50)
MHCLG COVID 19	0	(12)
Other MHCLG Grant Income	0	(32)
DWP Admin Grant	(1,219)	(148)
DWP Discretionary Housing	(51)	(55)
DWP Housing Benefit Subsidy	(11,679)	(12,503)
Other DWP Grant Income	0	(63)
Cabinet Office Grants	0	(31)
WCC Rough Sleepers	8	0
Other WCC Grants	0	(2)
Apprenticeship Levy	0	(8)
Heating Feasibility Study	(228)	0
MHCLG Covid-19 Emergency Grant	(1,242)	0
MHCLG Covid-19 Sales, Fees and Charges Grant	(1,517)	0
WCC Food and Essential Supplies	(61)	0
Other grants	(2,190)	
Total	(18,588)	(13,221)

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

	2020/21	2019/20
	£000	£000
Covid-19 Business Support Grants (Tranche 1)	(20,874)	0
Covid-19 Business Support Grants (Tranche 2)	(8,174)	0
Covid-19 Test and Trace Support Payments - Self Isolation Payments	(80)	0
Total	(29,128)	0

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at year-end are as follows:

Current Liabilities

Grants Received in Advance (Revenue)	2020/21	2019/20
	£000	£000
DEFRA	(6)	(6)
Improvement and Development Agency - Productivity Expert	(6)	(6)
Other Grants	(5)	(5)
MHCLG S31 grant business rates reliefs	(6,181)	0
Total	(6,198)	(17)

Long-term Liabilities

Grants Received in Advance (Capital)	2020/21	2019/20
	£000	£000
Disabled Facilities Grants	(869)	(552)
Section 106	(915)	(890)
Total	(1,784)	(1,442)

Note 34 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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence 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 form 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).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in **Note 30**. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

During 2020/21, many Bromsgrove District Councillors were also County Councillors and/or elected members of the parish council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has entered a contract with Bromsgrove District Housing Trust for the provision of homelessness services and is also part of the Worcestershire wide choice-based lettings housing allocations service. Bromsgrove paid to Bromsgrove District Housing Trust £0.490m for the homelessness service.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Officers

There were no disclosures made by officers in 2020/21.

Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Redditch Borough Council, Bromsgrove paid £3.443m (2019/20: £3.198m) for Redditch hosted services and received £6.580m (2019/20: £6.107m) for services hosted at Bromsgrove.

The Council has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.351m to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £0.124m from Wyre Forest.

For the provision of Car Park Services, the Council paid £0.242m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.052m to Worcester City Council.

A shared service arrangement exists between Redditch Borough Council, Bromsgrove District Council and Cannock Chase Council for provision of the Lifeline service. Bromsgrove receive income of £0.021m for this service.

As host of the Worcester Regulatory Shared Service Bromsgrove has received £0.450m from Malvern Hills District Council, £0.534m from Wyre Forest District Council, £0.805m from Wychavon District Council, £0.625m Worcester City Council, and £0.619m from Redditch Borough Council. This includes £0.273m of Covid Grant for local authority compliance and enforcement.

At 31st March 2021, the following amounts were owed to the partners of shared service:

	£000	
Worcester City Council	9	(31 March 2020 £74k)
Redditch Borough Council	0	(31 March 2020 £51k)
Wychavon District Council	60	(31 March 2020 £65k)
Wyre Forest District Council	90	(31 March 2020 £79k)
Malvern Hills District Council	0	(31 March 2020 £40k)

The following amounts were owed to Bromsgrove for hosting the shared service:

	£000	
Worcester City Council	0	(31 March 2020 £56)
Redditch Borough Council	0	(31 March 2020 £22)
Wychavon District Council	0	(31 March 2020 £23)
Wyre Forest District Council	20	(31 March 2020 £17)
Malvern Hills District Council	0	(31 March 2020 £12)

These balances have been included within the relevant debtors and creditors balances.

From June 2016 Worcestershire County Council withdrew from Worcester Regulatory Services. Summary of creditors and debtors as at year end with above named bodies.

Service	Council	Value of service in 2020-21 £'000	Payment due from BDC as 31/03/2021 £'000	Receipt due to BDC at 31/03/2021 £'000
Car Parking services	Wychavon District Council	223	60	0
NWEDR	Wyre Forest	351	90	0

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Building Control	Wyre Forest	(124)	0	20
Internal audit	Worcester City Council	52	9	0
Lifeline Service	Cannock Chase Council	(21)	0	0

Note 35 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement	19,682	19,927
Capital Investment		
Property, Plant and Equipment	2,223	2,314
Intangible Assets	381	237
Long Term Debtor	11	11
Revenue Expenditure Funded from Capital under Statute	746	1,012
Total	3,361	3,574
Sources of finance		
Capital receipts	(531)	(443)
Government grants and other contributions	(596)	(1,617)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	0	(1,095)
HRA	0	0
Minimum Revenue Provision (MRP)	(721)	(664)
	(1,848)	(3,819)
Closing Capital Finance Requirement	21,195	19,682
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government	1,513	(245)
Increase/(decrease) in Capital Financing Requirement	1,513	(245)

Note 36 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority as lessee)

The Authority has entered into an agreement for a lease of land to operate a car park at Market Place, Bromsgrove which became operational in 2017/18.

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

	31/03/2021 £000	31/03/2020 £000
Minimum lease rentals payable:		
No later than 1 year	25	25
Later than 1 year and no later than 5 years	100	100
Later than 5 years	152	175
Total	277	300

Authority as Lessor:

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease into, such as adjustments following rent reviews.

Operating Leases (Authority as lessor)

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

- provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

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

	31/03/2021 £000	31/03/2020 £000
No later than 1 year	63	62
Later than 1 year and no later than 5 years	234	235
Later than 5 years	93	147
Total	390	444

Note 37 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

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

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

Transactions relating to Post-Employment Benefits

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

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

Transactions relating to Post-Employment Benefits

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

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

The Authority leases out Land and Buildings on operating leases these include Sanders Park, Victoria Ground and Barnsley Hall Football Pitches. The income for these has been credited to the CIES. The amounts received in 2020/21 were £0.063m and 2019/20 £0.062m.

Transactions relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services: Service cost comprising:</i>				
Current service cost	3,243	3,256	0	0
Past service cost	0	801	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,008	1,056	43	47
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	4,251	5,113	43	47
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(16,420)	5,039	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(3,895)	0	(51)
Actuarial (gains) and losses arising on changes in financial assumptions	21,168	(2,736)	187	(22)
Actuarial (gains)/losses from experience	(2,457)	1,157	(43)	(90)
Other	40	38	0	0
Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2,331	(397)	144	(163)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	6,582	4,716	187	(116)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,251)	(5,113)	(43)	(47)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	2,349	2,533	0	0
Retirement benefits payable to pensioners	0	0	135	139

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Present value of the defined obligation	(145,688)	(123,169)	(1,883)	(1,831)
Fair value of plan assets	93,024	74,738	0	0
Sub-total	(52,664)	(48,431)	(1,883)	(1,831)
Advance Payment of Pension Contributions	1,939	2,151	0	0
Net liability arising from the defined benefit obligation	(50,725)	(46,280)	(1,883)	(1,831)

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

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

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

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Opening fair value of scheme assets	74,738	78,093	0	0
Interest income	1,920	1,900	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in				
the net interest expense	16,420	(5,039)	0	0
Contributions from employer	2,349	2,533	135	139
Contributions from employees into the scheme	688	648	0	0
Benefits/transfers paid	(3,051)	(3,359)	(135)	(139)
Administration Expenses	(40)	(38)	0	0
Closing value of scheme assets	93,024	74,738	0	0

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Opening balance at 1 April	(123,169)	(124,341)	(1,831)	(2,086)
Current service cost	(3,243)	(3,256)	0	0
Interest cost	(2,928)	(2,956)	(43)	(47)
Contributions from scheme participants	(688)	(648)	0	0
Remeasurement (gains) and losses:				
Actuarial gains/(losses) from changes in demographic assumptions	0	3,895	0	51
Actuarial gains/(losses) from changes in financial assumptions	(21,168)	2,736	(187)	22
Actuarial gains/(losses) from experience	0	(1,157)	43	90
Past service cost	3,051	(801)	0	0
Losses/(gains) on curtailments where relevant	0	0	0	0
Benefits/transfers paid	0	3,359	135	139
Balance as at 31 March	(145,688)	(123,169)	(1,883)	(1,831)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/3/2021 £000	31/3/2020 £000
Cash and cash equivalents Equities:	0	450
UK Quoted Overseas Quoted		150
PIV- UK Managed	111	18,086
PIV- UK Managed (overseas) PIV- Overseas Managed	28,539	9,417
	12,659	25,037
	35,979	74
	111	
Sub-total equity	77,399	52,764
Bonds:		

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Corporate Overseas Corporate		299
Other Corporate		3,438
UK Government Fixed Overseas	0	0
Government	1,573	5,381
	0	74
	0	
Sub-total bonds	1,573	9,192
Property:		
European Property Fund UK Property	1,793	1,119
Debt Overseas Property Debt UK	359	523
Property Funds Overseas REITs	269	374
	1,882	1,569
	89	150
Sub-total property	4,392	4,335
Sub-total private equity Alternatives	0	0
UK Infrastructure European	3,653	3,662
Infrastructure US Infrastructure	2,597	2,018
UK Stock Options Overseas Stock	1,948	1,345
Options Corporate Private Debt	325	523
	81	(448)
	1,055	897
Sub-total other investment funds	9,659	7,997
Total assets	93,023	74,738

Basis for estimating assets and liabilities.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1st April 2020.

The significant assumptions used by the actuary are set out in the following table:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21	2019/20	2020/21	2019/20
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.7	22.6	22.7	22.6
Women	25.1	25	25.1	25
<i>Longevity at 65 for future pensioners:</i>				
Men	24.4	24.2	24.4	24.2
Women	27.1	27	27.1	27
Financial assumptions:				
Rate of inflation	2.70%	2.10%	2.70%	2.10%
Rate of increase in salaries	4.20%	3.60%	4.20%	3.60%
Rate of increase in pensions	2.80%	2.20%	2.80%	2.20%
Discount Rate	2.10%	2.40%	2.10%	2.40%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The

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estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	4,372	(4,372)
Rate of inflation (increase or decrease by 0.1%)	2,539	(2,539)
Rate of increase in salaries (increase or decrease by 0.1%)	349	(349)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,496)	2,496
Change in 2019/20 investment returns (increase or decrease by 1%)	983	(983)

Impact on the Authority's cash flows

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

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

The weighted average duration of the defined benefit obligation for scheme members is 19 years (2018/19 18 years).

On 30th April 2020 a payment of £6.251m was made to Worcestershire Pension Fund for the deficit payments due 2020/21- 2022/23 and 90% of the expected pension contributions for current employees for the same period thus achieving a discount of £0.385m over the three years compared with making monthly payments.

Note 38 Contingent Liabilities

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

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

Note 39 Contingent Assets

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

There are no Contingent Assets as at 31st March 2021.

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

Note 40 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m	£2.5m	£2.5m	£2.5m	£1m

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Notes to the Financial Statements for the year ended 31st March 2021

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

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

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

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

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

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

Liquidity Risk

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

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and

Bromsgrove District Council

Notes to the Financial Statements for the year ended 31st March 2021

investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2020/21, the Council had no variable long-term investments or borrowings.

Price Risk

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

Bromsgrove District Council

Supplementary Statements for the year ended 31st March 2021

The Collection Fund Statement

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

Due to the Covid-19 pandemic, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher when compared to previous years. The Government have provided Section 31 grants to cover the cost of Covid-19 business rates reliefs.

Due to Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2021/22 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2020/21 can be spread over three years from 2021/22 to 2023/24.

In addition to this, the Government announced that funding would be provided to compensate Local Authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020/21, that would otherwise need to be funded through local authority budgets in 2021/22 and later years. The usable reserve balance as at 31st March 2021 includes those Government grants received in relation to collection fund deficits that will be realised in 2021/22.

2019/20			2020/21			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
			INCOME			
	(67,874)	(67,874)	Council Tax Receivable		(69,955)	(69,955)
(25,891)		(25,891)	Business Rates Receivable	(14,927)		(14,927)
	0	0	Council tax discounts requiring payment from General Fund		0	0
(25,891)	(67,874)	(93,765)	Total amounts to be credited	(14,927)	(69,955)	(84,882)
			EXPENDITURE			
			Apportionment of Previous Year (Surplus)/Deficit			
(2,881)		(2,881)	Central Government	761		761
(2,305)	62	(2,243)	Bromsgrove District Council	343	245	588
(519)	311	(208)	Worcestershire County Council	1,062	1,247	2,309
(58)	21	(37)	Hereford and Worcestershire Fire and Rescue	22	83	105
	51	51	Police and Crime Commissioner for West Mercia		214	214
			Precepts, demands and shares			
5,981		5,981	Central Government	12,524		12,524
0	9,099	9,099	Bromsgrove District Council	10,019	9,436	19,455
17,705	46,287	63,992	Worcestershire County Council	2,254	48,783	51,037
239	3,096	3,335	Hereford and Worcestershire Fire and Rescue	250	3,200	3,450
	7,955	7,955	Police and Crime Commissioner for West Mercia		8,379	8,379
			Business Rate Supplement:			
			Charges to Collection Fund			
0	0	0	Write-offs of uncollectable amounts	0	0	0
65	318	383	Increase allowance for impairment	165	400	565
(2,051)		(2,051)	Increase/(decrease) in allowance for appeals*	1,930		1,930
190		190	Transitional Protection Payments Payable	195		195
			Payments to General Fund			
126		126	Payment to General Fund for allowable collection costs for non-domestic rates	127		127
16,492	67,200	83,692	Total amounts to be debited	29,652	71,987	101,639
(9,399)	(674)	(10,073)	(Surplus) /deficit arising during the year	14,725	2,032	16,757
4,906	(879)	4,027	(Surplus)/deficit b/f at 1 April	(4,493)	(1,553)	(6,046)
(4,493)	(1,553)	(6,046)	(Surplus)/deficit c/f at 31 March	10,232	479	10,711

* 2019/20 restated

Bromsgrove District Council

Supplementary Statements for the year ended 31st March 2021

Note 1 - Council Tax Income

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

For the year ended 31st March 2021

Band	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable	
	£	£						
			5	3.20	5/9	1.81	126.67	
A	Up to & including	40,000	3,671	2,080.66	6/9	1,387.11	152.00	
B		40,001 -	52,000	7,250	5,597.61	7/9	4,353.70	177.33
C		52,001 -	68,000	8,983	7,631.12	8/9	6,783.22	202.67
D		68,001 -	88,000	7,855	7,010.81	9/9	7,010.81	228.00
E		88,001 -	120,000	6,914	6,448.76	11/9	7,881.81	278.67
F		120,001 -	160,000	3,695	3,491.37	13/9	5,043.10	329.33
G		160,001 -	320,000	2,813	2,684.37	15/9	4,473.94	380.00
H	More Than		320,001	333	324.68	18/9	649.36	456.00

Adjustments	0.99
Council Tax Base	37,208.98

For the year ended 31st March 2020

Band	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable	
	£	£						
			5	3.40	5/9	1.92	123.89	
A	Up to & including	40,000	3,656	2,034.40	6/9	1,356.27	148.67	
B		40,001 -	52,000	7,219	5,535.40	7/9	4,305.31	173.44
C		52,001 -	68,000	8,901	7,521.50	8/9	6,685.78	198.22
D		68,001 -	88,000	7,788	6,955.40	9/9	6,955.40	223.00
E		88,001 -	120,000	6,824	6,345.90	11/9	7,756.09	272.56
F		120,001 -	160,000	3,629	3,429.40	13/9	4,953.59	322.11
G		160,001 -	320,000	2,788	2,661.70	15/9	4,436.16	371.67
H	More Than		320,001	327	317.30	18/9	634.60	446.00

Adjustments	0.99
Council Tax Base	36,714.26

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

	2020/21	2019/20
	£	£
Bromsgrove District Council	228.00	223.00
Worcestershire County Council	1,311.05	1,260.75
Police and Crime Commissioner for West Mercia	225.20	216.66
Hereford and Worcestershire Fire and Rescue	85.99	84.34
Total Council Tax for non-parish areas	1,850.24	1,784.75
Parish Councils (Average)	25.58	24.82
Average Council Tax for the District in parish areas	1,875.82	1,809.57

Bromsgrove District Council

Supplementary Statements for the year ended 31st March 2021

Note 2 – Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2020/21 the rate poundage was 51.2p (50.4p 2019/20). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at **Note 13**. The total rateable value at 31st March 2020 was £68.512m.

For 2019/20 the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement.

Bromsgrove District Council

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

Bromsgrove District Council

Glossary

BUDGET

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

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the

current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

Bromsgrove District Council

Glossary

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

Bromsgrove District Council

Glossary

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

Bromsgrove District Council

Glossary

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

Bromsgrove District Council

Glossary

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

The definition of related parties for the Council's purposes are deemed to include the Authority's members, the Chief Executive, its directors and their close family and household members.

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

Bromsgrove District Council

Glossary

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

WORCESTERSHIRE PENSION FUND (WPF)

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

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Bromsgrove
District Council
www.bromsgrove.gov.uk

DRAFT
STATEMENT OF ACCOUNTS



2021/22

Parkside, Market Street, Bromsgrove, Worcestershire B61 8DA

Agenda Item 5

[Tel:\(01527\) 881288](tel:01527881288)

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NARRATIVE REPORT

Introduction

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

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

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

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

The sections are:

- **Narrative Report** – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery
- **Statement of Responsibilities** – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- **Comprehensive Income and Expenditure Statement** – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- **Movement in Reserves Statement** – The movement in the year on the different reserves held by the Council
- **Balance Sheet** – The value of the assets and liabilities recognised by the Council and the Group as at 31st March 2022
- **Cash Flow Statement** – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Notes to the Financial Accounts** – The Statements are supported by technical notes
- **Group Accounts** - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences
- **The Collection Fund and Notes** – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- **Governance Statement** - The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the council to conduct its functions effectively
- **Internal Auditors Report** – Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts
- **Glossary**

NARRATIVE REPORT

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2021/22 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Bromsgrove District Council.

Our District

Bromsgrove District Council sits within the West Midlands. It has a population of 96,000 over an area of 84 square miles. It has 45,000 homes and businesses and 31 Councillors over 30 Wards.

The District has an above-average number of over 60s, with concentrations of people in several smaller towns and villages. Many residents commute to Birmingham, but despite that it has the highest percentage of business start-ups in England. It has isolated areas of deprivation and high median income levels.

Elections are held once every four years. All seats are contested together. The next election is in 2023. The Council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the cabinet committee, which is chaired by the Leader of the Council. The cabinet committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

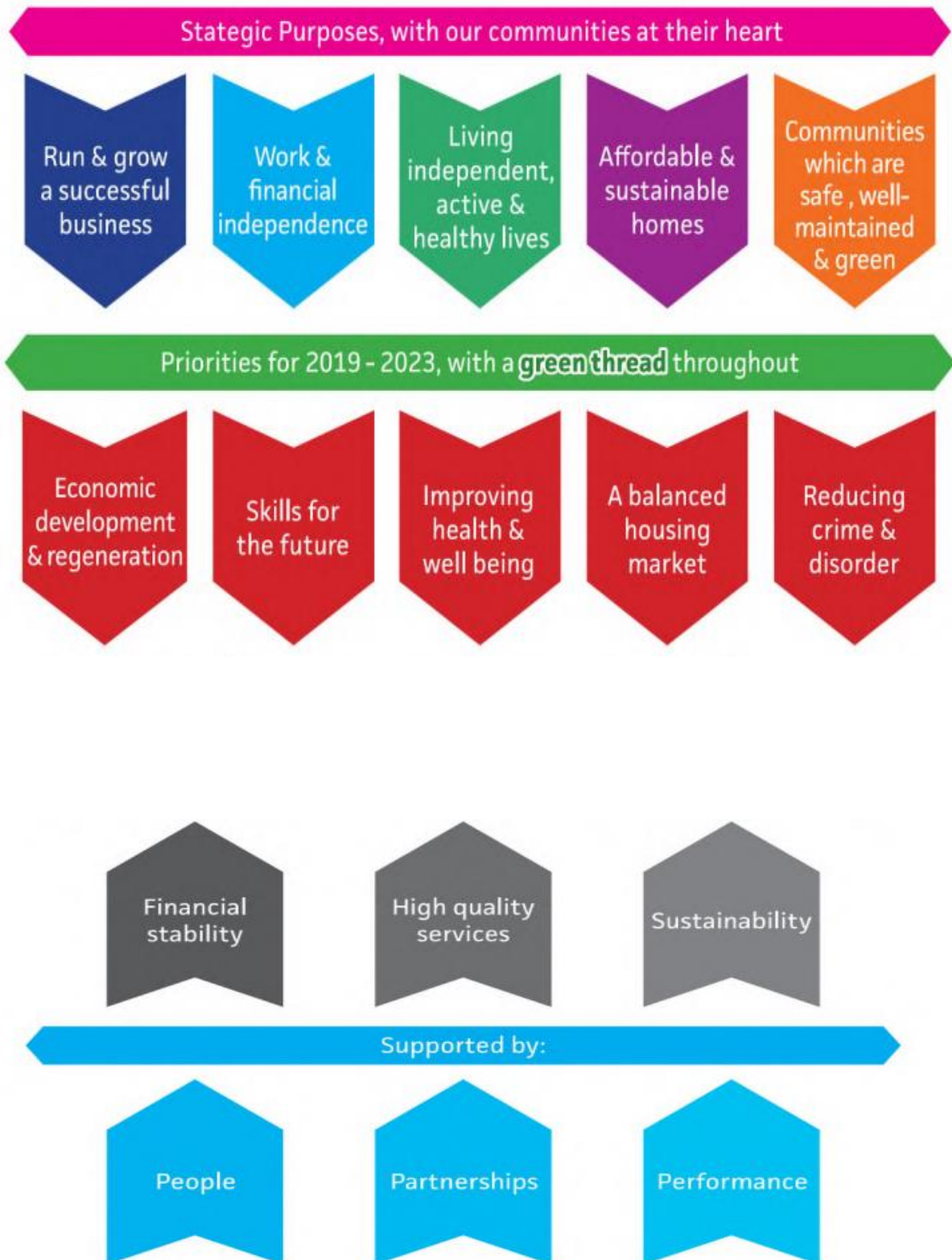
The Council, along with Redditch Borough Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

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

Strategic Purpose

Bromsgrove District Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them as well. Through considering what really matters to our residents, we have developed six key priorities, supported by six strategic purposes. Working to the purposes will help us to understand the needs of the District and how, together with our partners, we can improve the lives of our residents and the prospects for Bromsgrove District as a whole.

NARRATIVE REPORT



National Position

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

NARRATIVE REPORT

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

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

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

Financial Performance

The following items have had an impact on the 2021/22 Financial Statements.

Organisational Performance

The Council implemented a new financial system on the 8 February 2021. This severely impacted the Council's ability to report financially during the 2021/22 financial year with the only reported financial monitoring being for period 11. Because of this, and the impact this has had on the delivery of the 2020/21 accounts, in October 2022 the External Auditors issued a further S24 Statement linked to the late delivery of the 2020/21 Accounts and the associated impact this had on the robustness of financial information until those accounts were presented and fully audited. This also impacted the delivery of these accounts. Since April 2022 the Council, with Redditch, have been operating a financial recovery plan to rectify this situation. This is reflected in the Governance Statement.

Governance

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

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

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

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

Reserves, Financial Performance and Financial Position

Financial Outlook

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

NARRATIVE REPORT

When reviewing the budget projections, consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated in 2021/22 by the Covid-19 pandemic, where we have seen significant drops of income and one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

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

- Car Parking – a reduction of income is assumed for 2021/22 of £120k. This recovers in future years.
- Correction to Disposal budget on Commercial Waste as highlighted in Business Case in September 2020, starting at £190k, then rising to £250k and then £310k.
- Increase of Water budget to reflect increased costs from Severn Trent at £45k a year.

The main source of income continues to be Council tax. The Chancellors' 2021 update now allows Councils to increase Council Tax by 1.99% or £5 per annum without a referendum. The medium-term financial plan assumes a further 1.99% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2021/22 but needs to address a shortfall in future years ranging from £1.099m in 2022/23 to £1.472m in 2023/24 to avoid using general reserves to balance the budget. Indeed, if these deficits are not addressed then General Fund Reserves fall from a healthy £4.3m to a critical £1.7m.

NARRATIVE REPORT

	2021-22	2022-23	2023-24
	£000	£000	£000
Departmental base budget	11,571	11,511	11,325
Incremental Progression/Inflation on Utilities	59	50	74
Unavoidables Pressures	524	340	409
Revenue Bids & Revenue impact of capital bids	65	48	25
Savings and Additional income	-426	-474	-405
Changes in Specific Grant/Funding Movements	195	197	254
Net Revenue Budget Requirement	11,988	11,673	11,682
Financing			
Funding from reserves	-638	-100	0
Lower Tier Services Grant	-804	0	0
Business Rates Net Position	-2,474	-2,510	-2,510
New Homes Bonus	-656	-295	0
Collection Fund Deficit (Council Tax)	36	0	0
Council Tax	-8,665	-8,924	-9,243
Investment Income	-150	-250	-333
Interest Payable	444	527	529
MRP (Principal)	1,025	1,193	1,387
Discount on advanced pension payment	-128	-214	-40
Funding Total	-12,010	-10,573	-10,211
General Balances	2021-22	2022-23	2023-24
	£000	£000	£000
Opening Balances 20/21 (projected)	4,284	4,306	3,206
Contribution (from) / to General Balances	22	-1,099	-1,472
Closing Balances	4,306	3,206	1,735

Risks and Opportunities

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

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

Internal Audit issued a report in June 2021 with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Council and therefore no assurance could be given. The Council acknowledged that there was a risk management system in place, and there were areas of good practice however this was not uniform across the Council. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Council. Therefore, an action plan was put in place that:

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

NARRATIVE REPORT

The most significant risk the Council faces is the implementation of its new financial system, which went live on 8 February 2021 and has impacts that are set out in the Governance Statement.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 16. The objective is to demonstrate to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2021/22 is shown below:

	2021/22 Full Year Budget	2021/22 Working Budget	2021/22 Actual	2021/22 Outturn Variance
Business Transformation & Organisational Development	1,715,768	1,653,768	1,247,851	-405,917
Community & Housing GF Services	1,394,509	1,009,946	707,158	-302,788
Corporate Budgets & Services	1,493,464	1,493,464	1,493,464	0
Environmental Services	3,062,249	3,062,249	3,249,629	187,380
Financial & Customer Services	1,380,244	1,177,537	1,217,027	39,490
Legal, Democratic & Property Services	1,239,733	1,172,065	1,215,112	43,047
Planning, Regeneration & Leisure Services	1,714,383	1,666,158	1,486,689	-179,469
Regulatory Client	221,893	195,252	152,985	-42,267
Starting Well	19,505	19,505	6,487	-13,018
Overall Total	12,241,748	11,449,944	10,776,402	-673,542

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the Expenditure and Funding Analysis.

NARRATIVE REPORT

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

Business Transformation & Organisational Development – outturn position £406k underspend

Within Business Transformation & Organisational Development it is specifically the ICT budget area that has a significant forecast outturn variance against budget (at £406k underspend):

- The underspend in ICT is £268k, due to a reallocation of costs from Financial and Customer Services for ICT licences (CIVICA - £137k, E-fin - £63k and Advance Solutions Limited - £68k) which will reduce the underspend in ICT as well as reducing the overspend in Financial and Customer Services. This movement does not change the overall underspend of the Council.
- There is an underspend of £100k due to savings on Corporate Training due to Covid-19.
- Additional funds amounting to £24k were received for Street Name & Numbering.
- There were various other underspends of £14k within Policy and HR due to vacancies.

Community and Housing General Fund Services - outturn position £303k underspend

The significant underspending in this area is in Community Services which amounts to £303k is made up of a number of underspends including:

- Vacancy and pension savings including the Community Services Manager post (£12k).
- CCTV shared service savings (£14k) and Telephone charge savings including billing credits in relation to prior period corrections (£66k).
- Social Prescribing and Static Temporary Accommodation both had an underspend of (25k) each along with Homeless savings of (£32k) due to Covid restrictions.
- Housing Enabling had an underspend of (£129k) due to shared service recharges.

Environmental Services – outturn position £187k overspend

Within Environmental Services there are four services areas with significant forecast outturn variances against budget.

- The most significant year end overspend is Car Parking/Civil Enforcement which amounts to £307k. This is largely due to lower than budgeted car park income of £195k as a result of Covid-19 and higher than budgeted Business Rates £44k along with additional spends on Property Services and Maintenance £68k.
- Waste Operations overspent by £108k on a budget of £1.5m due to fleet maintenance and vehicle hire.
- Garden Waste Collections underspent by £147k due to additional fees received together with salary savings.
- Tree and Woodland Management is reporting an £81k underspend as a result of staffing changes.

Financial & Customer Services – outturn position £39k overspend

Within Financial & Customer Services there are two services areas with significant forecast outturn variances against budget.

- There are significant savings also in this area from vacancies, offset by the requirement to employ temporary staff. The figures include the capitalisation of some staff costs relating to the new ERP system amounting to £141k.
- The overspend of £102k is due to additional Housing Benefit grants paid during Covid.

Legal, Democratic and Property Services – outturn position £43k overspend

Within Legal, Democratic and Property Services there are three services areas with significant forecast outturn variances against budget.

NARRATIVE REPORT

- Legal Services underspent by £149k due to vacancies and additional income from Land Charges and Legal Challenges.
- The Democratic Services underspent by £17k also due to staff vacancies.
- The Sports & Leisure Centre overspent by £209k due to reduced income because of Covid.

Planning, Regeneration and Leisure Services – outturn position £179k underspend

Within Planning, Regeneration and Leisure Services there are a number of services areas with significant forecast outturn variances against budget.

- The underspending in Development Control of £217k is due to 2 factors. One is staffing vacancies, and the other is additional income for planning applications.
- Arts and Events Development is underspent by £35k. There was £18k of covid funding rolled forward into 21/22 from 20/21.
- There was a £73k overspend on NWedR due to additional costs incurred.

Regulatory Client – outturn position £42k underspend

While additional income was received for General Licensing amounting to £101k, there was reduced Taxi Licensing income of £59k.

Starting Well – outturn position £13k underspend

The small underspend on Starting Well is due to additional Surestart Support contributions.

Reserves

The underspend position has resulted in the Council's General Fund position increasing from an opening position of £4.452m by the underspend position of £9.783m to a closing balance of £14.235m,

Earmarked reserves have increased from an opening position of £13.437m to a closing position of £13.899m.

Grants

The Council received £17.895m of grant income during the year for Council activities, down from £18.588m in the previous year. The largest grant continues to be the Housing Benefit Subsidy Grant at £10.618m.

Capital

The outturn report set out that expenditure was £4.993m against capital budgets of £13.232m approved for the year. This is an £8.239m under/overspend. The Medium-Term Financial Plan (MTFP) already requested £16.152m be slipped to future years.

There have been significant underspends in capital during the year. This has been due to delayed starts in projects and slower spend than anticipated.

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The Core Statements are:

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

NARRATIVE REPORT

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

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

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

The **Balance Sheet** is a ‘snapshot’ of the Council’s assets, liabilities, cash balances and reserves as at the year-end, 31 March 2022.

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

The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of Bromsgrove District Council and the Town & Parish Councils within the Bromsgrove district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

The Chief Finance Officer's responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

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

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2022.

..... Date:

Director of Finance and Resources (Chief Finance Officer)

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

..... Date:

Chair

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

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

	Notes	2021/22			2020/21		
		£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Business Transformation and Organisational Development		2,596	(1,051)	1,545	2,788	(1,073)	1,715
Community and Housing GF Services		9,218	(1,496)	7,722	2,870	(897)	1,973
Corporate Services		1,647	(3,584)	(1,937)	2,082	(1,429)	653
Environmental Services		13,200	(7,665)	5,535	12,165	(6,812)	5,353
Financial and Customer Services		19,601	(17,462)	2,139	42,473	(41,094)	1,379
Legal, Democratic and Property Services		2,998	(1,509)	1,489	3,279	(1,362)	1,917
Planning, Regeneration and Leisure Services		4,372	(2,231)	2,141	3,735	(1,844)	1,891
Regulatory Client		451	(298)	153	484	(173)	311
WRS		5,992	(5,427)	565	4,235	(3,860)	375
Subsidiary		189	0	189	0	0	0
Starting Well		6	0	6	0	0	0
Cost of Services		60,270	(40,723)	19,547	74,111	(58,544)	15,567
Other Operating Expenditure	B4	1,180	(527)	653	2,021	0	2,021
Financing and Investment Income and Expenditure	B5	3,028	(2,092)	936	5,901	(1,921)	3,980
Taxation and Non-Specific Grant Income and Expenditure	B6	8,263	(30,117)	(21,854)	3	(26,511)	(26,508)
(Surplus) or Deficit on Provision of Services				(718)			(4,939)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			0			650
Remeasurement of the net defined benefit liability/(asset)	E1			(18,997)			2,475
Other Comprehensive Income and Expenditure				(18,997)			3,125
Total Comprehensive Income and Expenditure				(19,715)			(1,814)

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 1 April 2020	4,402	6,269	10,671	612	11,283	(24,355)	(13,072)
<u>Movement in reserves during the year</u>							
Total Comprehensive Income and Expenditure	4,939	0	4,939	0	4,939	(3,125)	1,814
Adjustments between accounting basis & funding basis under regulations	6,018	(3,739)	2,279	(530)	1,749	(8,937)	(7,188)
Net Increase/Decrease before Transfers to Earmarked Reserves	10,957	(3,739)	7,218	(530)	6,688	(12,062)	(5,374)
Transfers to or from earmarked reserves	(10,907)	10,907	0	0	0	0	0
(Increase)/Decrease in Year	50	7,168	7,218	(530)	6,688	(12,062)	(5,374)
Balance as at 31 March 2021	4,452	13,437	17,889	81	17,971	(36,417)	(18,446)
<u>Movement in reserves during the year</u>							
Total Comprehensive Income and Expenditure	718	0	718	0	718	18,998	19,715
Adjustments between accounting basis & funding basis under regulations	9,486	0	9,486	251	9,737	(9,737)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	10,204	0	10,204	251	10,455	9,261	19,715
Transfers to or from earmarked reserves	(421)	421	0	0	0	0	0
(Increase)/Decrease in Year	9,783	421	10,204	251	10,455	9,261	19,715
Balance as at 31 March 2022	14,235	13,858	28,093	332	28,425	(27,156)	1,269

BALANCE SHEET

Balance Sheet as at 31 March 2022

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

	Notes	31st March 2022 £000	31st March 2021 £000
Property, Plant & Equipment	D1	40,487	41,142
Intangible Assets	D2	712	453
Long Term Debtors	D3	188	330
Long Term Assets		41,387	41,925
Short Term Investments	F4	3,142	0
Inventories	D8	529	249
Short Term Debtors	E2	9,810	4,953
Cash and Cash Equivalents	F1	2,473	2,853
Current Assets		15,954	8,055
Short Term Creditors	E2	(676)	(11,004)
Provisions	D5	(528)	(1,444)
Revenue Grants received in advance		(2,409)	(1,784)
Current Liabilities		(3,613)	(14,232)
Other Long Term Liabilities	E2	(48,587)	(48,527)
Capital Grants received in advance		(3,872)	(6,198)
Long Term Liabilities		(52,459)	(54,725)
Net Assets		1,269	(18,977)
Usable reserves	C3	28,425	17,971
Unusable Reserves	C4	(27,156)	(36,948)
Total Reserves		1,269	(18,977)

CASH FLOW STATEMENT

Cash Flow Statement at 31 March 2022

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

	Notes	2021/22 £000	2020/21 £000
Net surplus or (deficit) on the provision of services		718	4,939
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	5,698	6,127
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	0	0
Net cash flows from Operating Activities		6,416	11,066
Investing Activities	F4	(6,796)	(9,391)
Financing Activities	F5	0	(215)
Net increase or (decrease) in cash and cash equivalents		(380)	1,460
Cash and cash equivalents at the beginning of the reporting period		2,853	1,393
Cash Balance at End of Period		2,473	2,853

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2021/22		Strategic Purpose	2020/21		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounting Basis	
£000	£000	£000		£000	£000	£000
1,546	0	1,546	Business Transformation and Organisational Development	1,716	0	1,716
8,163	(441)	7,722	Community and Housing GF Services	2,329	(356)	1,973
(1,802)	(136)	(1,938)	Corporate Services	763	(110)	653
5,699	(165)	5,534	Environmental Services	5,486	(133)	5,353
5,271	(3,133)	2,139	Financial and Customer Services	3,900	(2,521)	1,379
1,630	(140)	1,490	Legal, Democratic and Property Services	2,031	(113)	1,917
2,527	(386)	2,141	Planning, Regeneration and Leisure Services	2,202	(311)	1,891
993	(840)	153	Regulatory Client	987	(676)	311
754	(190)	564	Worcester Regulatory Services	527	(152)	375
189	0	189	Subsidiary	0	0	0
1,014	(1,008)	6	Starting Well	0	0	0
25,986	(6,439)	19,547	Net Cost of Services	19,940	(4,371)	15,569
(20,265)	0	(20,265)	Other Income and Expenditure	(20,507)	0	(20,507)
5,721	(6,439)	(718)	Surplus or Deficit	(567)	(4,371)	(4,938)
(17,889)			Opening General Fund Balance	(23,610)		
(5,721)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(567)		
(23,610)			Closing General Fund Balance at 31 March	(24,178)		

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B2. Expenditure and Income Analysed by Nature

Expenditure:	2021/22 £000	2020/21 £000
Employee Benefits Expenses	20,211	18,163
Other Expenditure	40,287	53,938
Depreciation, Amortisation, Impairment	2,413	2,120
Interest Payments	6,269	5,900
Precepts and Levies	3,035	952
Gain on the Disposal of Assets	(888)	(69)

Income:	2021/22 £000	2020/21 £000
Fees, Charges and other service Income	(6,084)	(7,767)
Interest and Investment Income	(1,964)	(1,925)
Income for Council tax, non-domestic rates, district rate income	(14,119)	(24,013)
Government grants and Contributions	(42,594)	(45,657)
Internal Recharges	(7,285)	(6,580)

(Surplus) or Deficit on the Provision of Services	(718)	(4,939)
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Revenue from contracts with Service Recipients

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

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

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

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B3. Other Operating Income and Expenditure

	2021/22 £000	2020/21 £000
Parish council precepts	1,030	952
(Gains)/losses on the disposal of non current assets	0	1,069
Other	(377)	0
Total	653	2,021

B4. Financing and Investment Income and Expenditure

	2021/22 £000	2020/21 £000
Interest payable and similar charges	0	44
Net interest on the net defined benefit liability (asset)	1,078	3,940
Interest receivable and similar income	0	(4)
Other investment income	(142)	0
Total	936	3,980

B5. Taxation and Non-Specific Grant Income and Expenditure

	2021/22 £000	2020/21 £000
Income		
Council Tax Income	(9,934)	(10,023)
Non Domestic Rates Income and Expenditure	4,078	(13,990)
Non-ring-fenced government grants	(15,342)	(1,785)
Capital Grants and Contributions	(656)	(710)
Total	(21,854)	(26,508)

B6. Members Allowances

	2021/22 £000	2020/21 £000
Basic Allowances	146	140
Special Allowances	73	66
Expenses Inc. Car Allowances	1	6
Total	220	212

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B7. External Audit Costs

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

	2021/22 £000	2020/21 £000
Fee Variations agreed for External Audit *	25	24
Housing Benefit Audit	12	12
Fees payable with regard to external audit services carried out by the appointed auditor for the year	38	37
Total	75	73

B8. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

Credited to Taxation and Non-Specific Grant Income	£000	£000
RSG	(659)	0
New Homes Bonus	0	(1,776)
Section 31	(5,445)	0
Capital Grants	(656)	(596)
Non ring-fenced Grant	(7,435)	(9)
Total	(14,195)	(2,381)

	2021/22 £000	2020/21 £000
Credited to Services	£000	£000
MHCLG Local Council Tax Support Admin Subsidy	(185)	(19)
MHCLG NNDR Cost of Collection	0	(127)
MHCLG Homelessness Grants	(242)	(263)
MHCLG COVID 19	(4,834)	0
DWP Admin Grant	0	(1,219)
DWP Discretionary Housing	0	(51)
DWP Housing Benefit Subsidy	(10,618)	(11,679)
WCC Rough Sleepers	0	8
Heating Feasibility Study	0	(228)
MHCLG Covid-19 Emergency Grant	0	(1,242)
MHCLG Covid-19 Sales, Fees and Charges Grant	0	(1,517)
WCC Food and Essential Supplies	0	(61)
Other grants	(2,016)	(2,190)
Total	(17,895)	(18,588)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B9. Officer Remuneration

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2021/22	139,212	24,779	163,991	81,996	81,996
	2020/21	139,045	24,750	163,795	81,898	81,898
Executive Director of Finance & Resources	2021/22	103,017	18,337	121,354	60,677	60,677
	2020/21	66,302	11,169	77,471	38,736	38,736
Head Of Legal & Democratic Services	2021/22	85,198	16,102	101,300	50,650	50,650
	2020/21	85,095	15,147	100,242	50,121	50,121
Total	2021/22	327,427	59,218	386,645	193,323	193,323
	2020/21	290,442	51,066	341,508	170,754	170,754
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2021/22	111,370	21,828	133,198	66,599	66,599
	2020/21	111,236	20,681	131,917	65,959	65,959
Total	2021/22	111,370	21,828	133,198	66,599	66,599
	2020/21	111,236	20,681	131,917	65,959	65,959

Senior Employees Remuneration

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

	2021/22	2020/21
£50,001 to £55,000	3	0
£55,001 to £60,000	10	2
£60,001 to £65,000	5	9
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

£75,001 to £80,000	0	0
£80,001 to £85,000	2	0
£85,001 to £90,000	4	1
£90,001 to £95,000	1	0
£95,001 to £100,000	0	1
£100,001 to £105,000	1	0
£105,001 to £110,000	0	0
£110,001 to £115,000	1	0
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	1	0
Total	28	13

B10. Termination Benefits

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0-£20,000	0	20	0	4	0	24	0	224,335
£20,001 - £40,000	0	1	0	0	0	1	0	22,342
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total cost included in bandings							0	246,677
Recharge to Redditch Borough Council							0	0
Recharge to Worcestershire Regulatory Services							0	0
Cost to Bromsgrove District Council							0	246,677
Exit Packages undertaken by Redditch Borough Council with a shared cost to Bromsgrove District Council							0	0
Total cost included in the CIES							0	246,677

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

General Fund Balance

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

Balance Sheet as at 31 March 2022	Usable Reserves							Movement in Unusable Reserves £000
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Business Rates Supplement Revenue Account	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000	
Adjustments to the Revenue Resources								
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.								
Pension cost (transferred to (or from) the Pensions Reserve)	2,955	0	0	0	0	0	(2,955)	
Council tax and NDR (transfers to or from the Collection Fund)	5,206	0	0	0	0	0	(5,206)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,160	0	0	0	0	0	(3,160)	
Items in suspense to be discussed with auditors	0	0	0	0	0	0	0	
Total Adjustments to Revenue Resources	11,321	0	0	0	0	0	(11,321)	
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	251	0	(251)	0	0	0	0	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	0	0	0	0	0	0	0	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,088)	0	0	0	0	0	2,088	
Total Adjustments to Revenue Resources	(1,837)	0	(251)	0	0	0	2,088	
Adjustments to Capital Resources								
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	0	0	
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0	
Total Adjustments to Capital Resources	0	0	0	0	0	0	0	
Total Adjustments	9,484	0	(251)	0	0	0	(9,233)	

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Usable Reserves							
Balance Sheet as at 31 March 2021	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Business Rates Supplement Revenue Account £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.							
Pension cost (transferred to (or from) the Pensions Reserve)	3,822	0	0	0	0	0	(3,822)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,917	0	0	0	0	0	(2,917)
Items in suspense to be discussed with auditors	0	0	0	0	0	0	0
Total Adjustments to Revenue Resources	6,739	0	0	0	0	0	(6,739)
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0	0	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(721)	0	0	0	0	0	721
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0	0	0
Total Adjustments to Revenue Resources	(721)	0	0	0	0	0	721
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(531)	0	0	0	531
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(531)	0	0	0	531
Total Adjustments	6,018	0	(531)	0	0	0	(5,487)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C2. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21 and 2021/22.

		Transfers In	Transfers Out		Transfers In	Transfers Out	
	Balance as at 31 March 2021 £000	2020/21 £000	2020/21 £000	Balance as at 31 March 2021 £000	2021/22 £000	2021/22 £000	Balance as at 31 March 2022 £000
General Fund:							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	69	34	(21)	82	0	0	82
Commercialism	10	0	(10)	0	0	0	0
Community Services	41	251	(21)	271	0	0	271
Economic Regeneration	1,343	157	(152)	1,348	0	0	1,348
Election Services	96	5	(50)	51	0	0	51
Environmental Services	2	47	0	49	0	(22)	27
Financial Services	3,146	1,299	0	4,445	320	(60)	4,705
Housing Schemes	476	157	(145)	488	433	(57)	864
ICT/Systems	204	0	(7)	197	0	0	197
Leisure/Community Safety	291	160	(121)	330	72	(251)	151
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Other	115	0	(7)	108	0	(41)	67
Planning & Regeneration	108	25	0	133	0	0	133
Regulatory Services (Partner Share)	34	12	0	46	27	0	73
Shared Services (Severance Costs)	311	0	0	311	0	0	311
Covid-19 (General Covid Grant)	0	766	0	766	0	0	766
Covid-19 (Collection Fund)	0	4,789	0	4,789	0	0	4,789
Total General Fund	6,269	7,702	(534)	13,437	852	(431)	13,858

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C3. Usable Reserves

	31/03/2022 £000	31/03/2021 £000
Capital Receipts Reserve	332	82
General Fund Balances	14,235	4,452
Earmarked Reserves	13,858	13,437
Total Usable Reserves	28,425	17,971

Capital Receipts Reserve

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

	31/03/2022 £000	31/03/2021 £000
Balance 1 April	82	612
Capital Receipts in year	250	0
Sub-Total	332	612
Less:		
Capital Receipts used for financing	0	(530)
Balance 31 March	332	82

Since 1 April 2016, Local Authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the £0.332m is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

C4. Unusable Reserves

	31/03/2022 £000	31/03/2021 £000
Revaluation Reserve	7,344	7,344
Capital Adjustment Account	12,065	13,641
Pensions Reserve	(46,503)	(52,665)
Collection Fund Adjustment Account	126	(5,080)
Accumulated Absences Account	(188)	(189)
Total Unusable Reserves	(27,156)	36,948

Revaluation Reserve

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	7,344	7,992
Upward revaluation of assets	0	(648)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	(648)
Balance at 31 March	7,344	7,344

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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

The balance is reduced when assets with accumulated gains are:

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

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

Capital Adjustment Account

	31/03/2022	31/03/2021
	£000	£000
Balance at 1 April	13,641	15,715
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(2,266)	(2,064)
Revaluation losses on Property, Plant and Equipment	0	(1,068)
Amortisation of Intangible Assets	(148)	(107)
Revenue expenditure funded from capital under statute	(746)	(746)
	(3,160)	(3,986)
Adjusting amounts written out of the Revaluation Reserve	0	0
Net written out amount of the cost of non current assets consumed in the year	(3,160)	(3,986)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	531
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	64
Application of grants to capital financing from the Capital Grants Unapplied Account	1,584	593
Statutory provision for the financing of capital investment charged against the General Fund	0	721
	1,584	1,909
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	12,065	13,641

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as 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,

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(52,665)	(48,429)
Remeasurements of the net defined benefit liability/(asset)	19,565	(2,333)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(15,887)	(1,902)
Employers pensions contributions and direct payments to pensioners payable in the year	2,484	0
Balance at 31 March	(46,503)	(52,665)

Collection Fund Adjustment Account

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(5,080)	556
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,206	(5,636)
Balance at 31 March	126	(5,080)

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

Accumulated Absences Account

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

	31/03/2022 £000	31/03/2021 £000
Balance at 1 April	(189)	(189)
Settlement or cancellation of accrual made at the end of the preceding year	189	189
Amounts accrued at the end of the current year	(188)	(189)
Balance at 31 March	(188)	(189)

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Current Year

	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2021	6,924	23,109	18,371	1,408	1,101	528	2,501	53,942
Adjustments re prior years	1	(4,429)	(8,658)	(432)	1	(528)		(14,045)
Adjusted opening balance	6,925	18,680	9,713	976	1,102	0	2,501	39,897
Additions	0	0	0	0	0	5,723	0	5,723
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	6,925	18,680	9,713	976	1,102	5,723	2,501	45,620
Depreciation and Impairment								
Balance as at 1 April 2021	0	(937)	(11,314)	(549)	0	0	0	(12,800)
Adjustments re prior years		839	8,657	436				9,932
Adjusted opening balance	0	(98)	(2,657)	(113)	0	0	0	(2,868)
Depreciation Charge	0	(686)	(1,511)	(68)	0	0	0	(2,265)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	0	(784)	(4,168)	(181)	0	0	0	(5,133)
Net Book Value								
Balance as at 31 March 2022	6,925	17,896	5,545	795	1,102	5,723	2,501	40,487
Balance as at 31 March 2021	6,925	18,582	7,056	863	1,102	0	2,501	37,029

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Comparative Year

	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2020	8,904	22,135	17,346	1,392	832	271	2,501	53,381
Adjustments re prior years	0	0	0	0	0	0	0	0
Adjusted opening balance	8,904	22,135	17,346	1,392	832	271	2,501	53,381
Additions	0	713	1,025	16	269	257	0	2,280
Revaluation increases/decreases to Revaluation Reserve	(968)	318	0	0	0	0	0	(650)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,012)	(57)	0	0	0	0	0	(1,069)
Other movements	0	0	0	0	0	0	0	0
Balance as at 31 March 2021	6,924	23,109	18,371	1,408	1,101	528	2,501	53,942
Depreciation and Impairment								
Balance as at 1 April 2020	0	(453)	(9,912)	(481)				(10,846)
Adjustments re prior years	0	0	0	0	0	0	0	0
Adjusted opening balance	0	(453)	(9,912)	(481)	0	0	0	(10,846)
Depreciation Charge	0	(594)	(1,402)	(68)	0	0	0	(2,064)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	110	0	0	0	0	0	110
Balance as at 31 March 2021	0	(937)	(11,314)	(549)	0	0	0	(12,800)
Net Book Value								
Balance as at 31 March 2021	6,924	22,172	7,057	859	1,101	528	2,501	41,142
Balance as at 31 March 2020	8,904	21,682	7,434	911	832	271	2,501	42,535

NOTES TO THE BALANCE SHEET

Depreciation

All assets have been depreciated using a reducing balance method.

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

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council conducts a rolling programme that ensures that all Property, Plant and Equipment is measured at current value at least every five years. Bruton Knowles have been instructed to act as the Council's valuers for 2021/22.

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

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2021/22 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This was in line with 2020/21.

Transfers between levels of the Fair Value Hierarchy

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

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

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £2.501m. Valuations have been conducted by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

NOTES TO THE BALANCE SHEET

D2. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.148m (£0.107m in 2020/21) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

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

	£000
Cost or Valuation	
Balance as at 1 April 2021	4,283
Additions	405
Balance as at 31 March 2022	4,688
Amortisation and Impairment	
Balance as at 1 April 2021	(3,829)
Amortisation Charge	(148)
Amortisation written out on Revaluation Reserve	0
Balance as at 31 March 2022	(3,977)
Net Book Value	
Balance as at 31 March 2022	712
Balance as at 31 March 2021	453

D3. Debtors

	Long term debtors		Short term debtors	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Central Government Bodies	0	0	4,763	(1,502)
Other Local Authorities	0	0	2,368	2,541
Other entities and individuals	188	330	4,550	5,749
Less bad debt provision	0	0	(1,871)	(1,835)
Total	188	330	9,810	4,953

NOTES TO THE BALANCE SHEET

D4. Creditors

	Short term creditors	
	2021/22 £000	2020/21 £000
Central Government bodies	0	(312)
Other local authorities	(676)	(3,262)
Other Entities and Individuals	0	(7,430)
Total	(676)	(11,004)

D5. Provisions 2021/22

	Balance as at 1 April 2021 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2022 £000
Business Rates Appeals	(1,251)	0	916	(335)
Employee Benefits	(189)	0	0	(189)
Insurance Provision	(4)	0	0	(4)
Total	(1,444)	0	916	(528)

2020/21

	Balance as at 1 April 2020 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2021 £000
Business Rates Appeals	0	(1,251)	0	(1,251)
Employee Benefits	(189)	0	0	(189)
Insurance Provision	0	(4)	0	(4)
Total	(189)	(1,255)	0	(1,444)

Business Rates Appeals Provision

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

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

Insurance Provision

The Council also holds a provision for potential insurance claims. This is currently £0.004m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.

NOTES TO THE BALANCE SHEET

D6. Capital Expenditure and Financing

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

Capital Expenditure and Capital Financing	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	21,195	19,682
Capital Investment		
Property, Plant and Equipment	6,796	2,223
Intangible Assets	0	381
Long Term Debtor	0	11
Revenue Expenditure Funded from Capital under Statute	746	746
Total	7,542	3,361
Sources of finance		
Capital receipts	0	(531)
Government grants and other contributions	0	(596)
Sums set aside from revenue:		
Direct revenue contributions:	(2,088)	0
Minimum Revenue Provision (MRP)	0	(721)
	(2,088)	(1,848)
Closing Capital Finance Requirement	26,649	21,195
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	5,454	1,513
Increase/(decrease) in Capital Financing Requirement	5,454	1,513

D7. Assets Held for Sale

There were no assets held for sale as at 31 March 2022. To be an asset held for sale, it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months.

D8. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Consumable Stores	
	2021/22	2020/21
	£000	£000
Balance outstanding at start of year	249	229
Purchases	595	20
Recognised as an expense in year	(316)	0
Balance outstanding at year end	528	249

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E1. Defined Benefit Pension Scheme

Retirement Benefits

Participation in the Local Authority Pension Scheme

Discretionary post-retirement Benefits

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

Transactions relating to post-employment Benefits.

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

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	4,151	3,243	0	0
Past service cost	35	0	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,115	1,008	43	43
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,301	4,251	43	43

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(5,517)	(16,420)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(1,091)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(2,546)	21,168	187	187
Actuarial gains and losses arising on changes in Experience	354	(2,457)	(43)	(43)
Other	0	40	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(3,499)	6,582	187	187

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,301)	(4,251)	(43)	(43)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	2,540	2,349	131	0
Retirement benefits payable to pensioners	(131)	0	(2,874)	135

Pension Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Present value of the defined obligation	(139,591)	(145,688)	(1,762)	(1,883)
Fair value of plan assets	94,934	93,024	0	0
Net liability arising from the defined benefit obligation	(44,657)	(52,664)	(1,762)	(1,883)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Net Liability and Pension Strain	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Local Government Pension Scheme	(44,657)	(52,664)
Discretionary Benefits	(1,762)	(1,883)
Pension Strain Liability		
Sub-total	(46,419)	(54,547)
Advance Payment of Pension Contributions	4,138	1,939
Net liability arising from the defined benefit obligation	(42,281)	(52,608)

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

In April 2020, the Council made an advance payment of pension contributions for 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount of each of the three financial years. Greater detail is provided later in the note under the heading 'Impact on the Authority's cashflows'.

	Local Government Pension Scheme		Discretionary Benefits	
	2021/2 2 £000	2020/2 1 £000	2021/2 2 £000	2020/2 1 £000
Opening fair value of scheme assets	93,024	74,738	0	0
Interest income	1,875	1,920	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	0	16,420	0	0
Contributions from employer	2,540	2,349	131	135
Contributions from employees into the scheme	670	688	0	0
Benefits/transfers paid	(3,136)	(3,051)	(131)	(135)
Administration costs	(39)	(40)	0	0
Closing value of scheme assets	94,934	93,024	0	0

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Opening balance at 1 April	(145,688)	(123,169)	(1,883)	(1,831)
Current service cost	(3,986)	(3,243)	0	0
Interest cost	(2,914)	(2,928)	(38)	(43)
Contributions from scheme participants	(670)	(688)	0	0
Remeasurement (gains) and losses:				
Experience (gains/losses)	(354)	2,457	(5)	43
Financial Assumptions (gains/losses)	2,546	(21,168)	20	(187)
Demographic Assumptions (gains/losses)	1,091	0	13	0
Past service cost	(35)	0	0	0
Benefits/transfers paid	2,874	3,051	131	135
Balance as at 31 March	(147,136)	(145,688)	(1,762)	(1,883)

Local government pension scheme assets comprised:

All scheme assets have quoted prices in active markets.

	Fair value of scheme assets	
	31/03/2022	31/03/2021
	£000	£000
Cash and cash equivalents		
Equities:		
UK quoted	106	111
Overseas quoted	23,246	28,539
PIV - UK managed	13,082	12,659
PIV - UK managed (overseas)	37,950	35,979
PIV - Overseas managed	757	111
Sub-total equity	75,141	77,399
Bonds:		
UK Corporate	0	0
Overseas Corporate	0	0
Other Corporate	1,338	1,573
UK Government Fixed	1,538	0
Overseas Government	0	0
Sub-total bonds	2,876	1,573
Property:		
European Property Fund	0	1,793
UK Property Debt	661	359
Overseas Property Debt	441	269
UK Property Funds	4,185	1,882
Overseas REITs	0	89

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Sub-total property	5,287	4,392
Alternatives		
UK Infrastructure	4,473	3,653
European Infrastructure	2,982	2,597
US Infrastructure	2,485	1,948
UK Stock Options	398	325
Overseas Stock Options	(199)	81
Corporate Private Debt	1,491	1,055
Sub-total alternative funds	11,630	9,659
Total assets	94,934	93,023

Basis for estimating assets and liabilities.

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2020/21	2021/22	2020/21
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.6	22.7	22.6	22.7
Women	25.0	25.1	25.0	25.1
<i>Longevity at 65 for future pensioners:</i>				
Men	24.1	24.4	24.1	24.4
Women	27.0	27.1	27.0	27.1
Financial assumptions:				
Rate of inflation	3.3%	2.7%	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%	3.4%	2.8%
Discount Rate	2.8%	2.1%	2.8%	2.1%

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

Impact on the Authority's cashflows

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

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

In April 2020, the Council made an advanced payment to Worcestershire Pension Fund for the deficit payment due 2020/21 to 2022/23, and 90% of the expected pension contributions for current employees for the same period. The total payment was £6.251m. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E2. Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash and Cash Equivalents	0	0	2,473	2,853	2,473	2,853	0	0	0	0	0	0
Loans and Receivables	0	0	9,810	4,953	9,810	4,953	0	0	0	330	0	330
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
Total Financial Assets	0	0	12,283	7,806	12,283	7,806	0	0	0	330	0	330
Non-Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	12,283	7,806	12,283	7,806	0	0	0	330	0	330

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Carried at Contract amount	0	0	(676)	(6,481)	(676)	(6,481)	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	(23)	0	(23)	0	0	0	0	0	0
Amortised Cost	0	0	0	(4,500)	0	(4,500)	0	0	0	0	0	0
Total Financial Liabilities	0	0	(676)	(11,004)	(676)	(11,004)	0	0	0	0	0	0
Non-Financial Liabilities	0	0	(48,587)	(48,527)	(48,587)	(48,527)	0	0	0	0	0	0
Total	0	0	(49,263)	(59,531)	(49,263)	(59,531)	0	0	0	0	0	0

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E3. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
	£2.5m	£2.5m	£2.5m	£2.5m	£1m

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Interest Rate Risk

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

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

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

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2021/22, the Council had no variable long-term investments or borrowings.

Price Risk

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

E4. Leases

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

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

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

The Authority as Lessee – Finance Leases

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

Lease payments are apportioned between:

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

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

The Council has no finance leases.

Operating Leases

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

The Authority has entered into an agreement for a lease of land to operate a car park at Market Place, Bromsgrove which became operational in 2017/18. The future minimum lease payments due under operating leases in future years are set out below:

	2021/22 £000	2020/21 £000
Minimum lease rentals payable:		
No later than 1 year	25	25
Later than 1 year and no later than 5 years	100	100
Later than 5 years	127	152
Total	252	277

The Authority as a Lessor – Finance Leases

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Lease rentals receivable is apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of the rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

The Council has no finance leases.

Operating Leases

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

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

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

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

	2021/22 £000	2020/21 £000
Minimum lease rentals payable:		
No later than 1 year	63	63
Later than 1 year and no later than 5 years	234	234
Later than 5 years	40	93
Total	337	390

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E5. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by the International Financial Reporting Standards (IFRS).

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

Summary of Significant Accounting Policies

i) Revenue and Expenditure Recognition

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

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

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

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

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis

ii) Cash and Cash Equivalents

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

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

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

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

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

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

iv) Charges to Revenue for Non-Current Assets

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

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

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Accounting for Council Tax and NDR

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

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

vi) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

Discretionary Benefits

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

vii) Events after the Balance Sheet date

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

viii) Fair Value Measurement

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

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

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

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

ix) Financial Instruments

Financial Liabilities

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

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

Financial assets are classified into the following categories:

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Financial Assets at Amortised Cost

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

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

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

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

Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account

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

Impairment

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

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevents default.

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

x) Government Grants and Contributions

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

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

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

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

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

xi) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)

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

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

xii) Intangible Assets

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

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii) Interests in Companies and Other Entities

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

xiv) Inventories and Long-Term Contracts

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

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

xv) Joint Operations

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

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

xvi) Materiality

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

xvii) Property, Plant and Equipment

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

Recognition

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance against the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

xix) Reserves

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

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

xx) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

xxi) Shared Services

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

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

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

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

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

xxii) Value Added Tax (VAT)

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

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £13.858m and a General Fund Balance of £14.235m.

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

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material, the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in **Note G1**. All other notes relate to the Council rather than the Group.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20 May 2020, which ruled that Automated Teller Machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries, where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after 31 March 2020 but full provision is made in the provision for business rate appeals as at 31 March 2021. The level of the 2017 rating list provision for appeals has released £0.916m. Previously the Council held £1.251m of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note D5**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 40%.

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

E7. Accounting Standards not yet adopted.

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

There is an amendment to IFRS 16 Leases. This standard was due to be implemented on 1 April 2020, but this has now been delayed until 1 April 2024.

IFRS 16 Leases – the amendment requires Local Authorities who are lessees to recognise leases on the Balance Sheet as right of use assets with a corresponding lease liability. As yet, the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

E8. Assumptions made about the future and other major sources of estimation uncertainty.

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

E9. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

(e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B8**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2021/22 is shown in **Note B6**.

Many Bromsgrove District Councillors are also County Councillors and / or elected members of the Parish Council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has entered a contract with BDHT for the provision of homelessness services and is also part of the Worcestershire wide choice-based lettings housing allocations service. Bromsgrove paid to Bromsgrove District Housing Trust £0.304m for the homelessness service.

Officers

There were no disclosures made by officers in 2021/22.

Entities Controlled or Significantly Influenced by the Authority

As part of the shared services with Redditch Borough Council, Bromsgrove paid £3.912m (£3.238m in 2020/21) for Redditch hosted services and received £7.022m (£6.457m in 2020/21) for services hosted at Bromsgrove.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.349m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £0.155m from Wyre Forest.

For the provision of Car Park services, the Council paid £0.243m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.061m to Worcester City Council.

As host of Worcestershire Regulatory Shared Service, Bromsgrove has received £0.410m from Malvern Hills District Council, £0.484m from Wyre Forest District Council, £0.745m from Wychavon District Council, £0.530m from Worcester City Council and £0.562m from Redditch Borough Council.

As at 31 March 2021, the following amounts were owed to the partners of shared services:

	£000
Worcester City Council	149
Redditch Borough Council	166
Wychavon District Council	178
Wyre Forest District Council	133
Malvern Hills District Council	102

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The following amounts were owed to Bromsgrove for hosting the shared services:

	£000
Worcester City Council	144
Redditch Borough Council	0
Wychavon District Council	27
Wyre Forest District Council	53
Malvern Hills District Council	23

These balances have been included within the relevant debtor and creditor balances.

From June 2016, Worcestershire County Council withdrew from Worcester Regulatory Services.

E10. Events after the Balance Sheet date

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

In April 2020, an upfront payment of £6.251m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2021/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

E11. Contingent Assets

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

There are no contingent assets as at 31 March 2022.

E12. Contingent Liabilities

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

There are no contingent liabilities as at 31 March 2022.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F1. Cash and Cash Equivalents

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

	2021/22 £000	2020/21 £000
Cash and Bank balances	2,473	2,853
Short Term Investments	0	0
Total	2,473	2,853

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

	2021/22 £000	2020/21 £000
Depreciation	2,413	2,064
Impairment & downward valuations	0	1,069
Amortisation	0	107
(Increase)/Decrease in Debtors	4,857	(2,273)
Increase/(Decrease) in Creditors	(10,328)	(53)
Increase in Inventories	280	(20)
Movement in pension liability	60	3,866
Other items charged to the net surplus or deficit on provision of services	8,415	1,367
Total	5,698	6,127

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

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	0	0
Any other items	0	0
Total	0	0

F4. Investing Activities

	2021/22 £000	2020/21 £000
Purchase of PP&E, investment property and intangible assets	(6,796)	(2,225)
Other Payments for Investing Activities	0	(4,834)
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	2,000
Other Receipts from Investing Activities	0	(4,332)
Net Cash flows from Investing Activities	(6,796)	(9,391)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F5. Financing Activities

	2021/22 £000	2020/21 £000
Cash Receipts from Short and Long Term Borrowing	23,500	27,500
Repayment of Short and Long Term Borrowing	(23,500)	(27,750)
Other payments for Financing Activities	0	35
Net Cash flows from Financing Activities	0	(215)

GROUP ACCOUNTS

GROUP ACCOUNTS

G1. Nature of the relationship between the Council and Bromsgrove Arts Development Trust

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed. The Trustees have been registered with the Official Custodian of Charities. These include members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of six of the eight Trustees. As such, this gives them the ability to influence decisions made by this Board. The Council supplies no funding for the Trust, which solely holds the building known as the Artrix. It is not responsible for service provision and any assets or liabilities arising from there. As such, the figures used for consolidation are based on the property valuation which has been conducted by an independent valuation service provided by Bruton Knowles.

The Arts Development Trust asset shown in the Group Balance Sheet (PPE) is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale, the Council has no right to a share of the proceeds, nor can the Council determine whether sale of this property should be undertaken.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure in the year. The only entry for the Trust would be the depreciation calculated for the building.

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

The annual income of c£100k is below the threshold required for Group accounts to be produced.

COLLECTION FUND

COLLECTION FUND

H1. The Collection Fund Statement

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

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2022/23 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2021/22 can be spread over three years from 2022/23 to 2024/25.

2020/21			Collection Fund	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(69,955)	(69,955)	Council Tax Receivable		(72,736)	(72,736)
(14,927)		(14,927)	Business Rates Receivable	(21,056)		(21,056)
(14,927)	(69,955)	(84,882)	Total amounts to be credited	(21,056)	(72,736)	(93,792)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
761		761	Central Government	(4,896)		(4,896)
343	245	588	Bromsgrove District Council	(4,378)	(36)	(4,414)
1,062	1,247	2,309	Worcestershire County Council	721	(184)	537
22	83	105	Hereford and Worcestershire Fire and Rescue	(86)	(12)	(98)
	214	214	Police and Crime Commissioner for West Mercia		(32)	(32)
			Precepts, demands and shares			
12,524		12,524	Central Government	12,858		12,858
10,019	9,436	19,455	Bromsgrove District Council	10,287	9,717	20,004
2,254	48,783	51,037	Worcestershire County Council	2,314	49,972	52,286
250	3,200	3,450	Hereford and Worcestershire Fire and Rescue	257	3,260	3,517
	8,379	8,379	Police and Crime Commissioner for West Mercia		8,932	8,932
			Charges to Collection Fund			
0	0	0	Write-offs of uncollectable amounts	(5)	(3)	(8)
165	400	565	Increase allowance for impairment	10	156	166
1,930		1,930	Increase/(decrease) in allowance for appeals	(2,290)		(2,290)
195		195	Transitional Protection Payments Payable	44		44
			Payments to General Fund			
127		127	Payment to General Fund for allowable collection costs for non-domestic rates and disregarded	187		187
29,652	71,987	101,639	Total amounts to be debited	15,023	71,771	86,795
14,725	2,032	16,757	(Surplus) / deficit arising during the year	(6,033)	(965)	(6,998)
(4,493)	(1,553)	(6,046)	(Surplus)/deficit b/f at 1 April	10,231	479	10,710
10,232	479	10,711	(Surplus) / deficit c/f as 31 March	4,200	(485)	3,715

COLLECTION FUND

H2. Council Tax Income

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

2021/22

Band	Valuation band limits	Valuation band limits			Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£	£					
					5	3.20	5/9	1.81	126.67
A	Up to & including	40,000			3,671	2,080.66	6/9	1,387.11	152.00
B		40,001	-	52,000	7,250	5,597.61	7/9	4,353.70	177.33
C		52,001	-	68,000	8,983	7,631.12	8/9	6,783.22	202.67
D		68,001	-	88,000	7,855	7,010.81	9/9	7,010.81	228.00
E		88,001	-	120,000	6,914	6,448.76	11/9	7,881.81	278.67
F		120,001	-	160,000	3,695	3,491.37	13/9	5,043.10	329.33
G		160,001	-	320,000	2,813	2,684.37	15/9	4,473.94	380.00
H	More Than			320,001	333	324.68	18/9	649.36	456.00

Adjustment 0.99

Council tax base 37,209.01

Band	Valuation band limits	Valuation band limits			Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£	£					
					6.00	1.80	5/9	1.00	129.44
A	Up to & including	40,000			3,727.00	2,001.70	6/9	1,334.47	155.33
B		40,001	-	52,000	7,312.00	5,546.30	7/9	4,313.79	181.22
C		52,001	-	68,000	9,058.00	7,655.50	8/9	6,804.89	207.11
D		68,001	-	88,000	7,887.00	7,026.50	9/9	7,026.50	233.00
E		88,001	-	120,000	7,042.00	6,555.00	11/9	8,011.67	284.78
F		120,001	-	160,000	3,738.00	3,526.30	13/9	5,093.54	336.56
G		160,001	-	320,000	2,876.00	2,736.00	15/9	4,560.00	388.33
H	More Than			320,001	339.00	328.60	18/9	657.20	466.00

Adjustment 0.99

Council tax base 37,425.03

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

	2021/22	2020/21
	£	£
Bromsgrove District Council	249.15	228.00
Worcestershire County Council	1,343.83	1,311.05
Police and Crime Commissioner for West Mercia	240.19	225.20
Hereford and Worcestershire Fire and Rescue	87.68	85.99
Total Council Tax for non parish areas	1,920.85	1,850.24
Parish Councils (Average)	27.23	25.28
Average Council Tax for the District in parish areas	1,948.08	1,875.52

H3. Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage, and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2021/22, the rate poundage was 51.2p (no change to 2020/21). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note H1.

The total rateable value at 31 March 2022 was £68,057,817 (£68.512m 2020/21).

For 2021/22, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

The purpose of the Governance Framework

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

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

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompass a number of elements.

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.

ANNUAL GOVERNANCE STATEMENT

- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements were limited during the year due to the implementation of a new financial management system in February 2021. Although processes were in place are in place in relation to online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation, the Council was not able to undertake regular financial monitoring until Period 11. This is reflected in the Improvement plan later in this section.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2021/22.
- The Constitution clearly defines the roles of Monitoring Officer, S151 Officer and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

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

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

Throughout 2021/22, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

Audit, Governance and Standards Committee

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

ANNUAL GOVERNANCE STATEMENT

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

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

During 2021/22 the Internal Audit team delivered a comprehensive programme including:

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

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

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

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

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

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that this committee on the 9 November 2022 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. There were also five key recommendations in the Draft 2020/21 External Audit Report:

- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.
- The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Corporate Plan and related strategic objectives, allowing Members to scrutinize performance. This should be done at least twice a year.
- The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standard item on the Audit, Standards and Governance Committee's agenda, with members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.

ANNUAL GOVERNANCE STATEMENT

- The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

In response to these issues

- The Council has put in place a Financial Recovery process which is reported twice a year to the Cabinet and the Audit Standards and Governance Committee now meet six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council's accounts are up to date.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions.
- A review of the issues behind the issuing of the S24 Statement was commissioned through an Audit Task Group and these wider recommendations, including Governance and support requirements agreed by Council in the summer of 2023.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 71.

Conclusion and Evaluation

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

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

Signed

Date

Signed

Date

Leader of the Council & Chief Executive on behalf of Bromsgrove District Council

INTERNAL AUDITORS' REPORT

INTERNAL AUDITORS' REPORT 2021/22

Head of Internal Audit Opinion

Audit Opinion and Commentary 2021/22 Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2021/22 was a very challenging year regarding the control environment in certain areas of the Council. Changes in the way services needed to be delivered and staff deployed saw a continuance of remote working as there continued to be an emergence from the Covid-19 pandemic. A significant number of staff leaving the Authority was also experienced which created its own challenges within certain Services e.g. Finance. The loss of staff and experience along with the implementation of a new financial system resulted in a very challenging environment. Appropriate and proportionate remote access to files and systems remained in place to ensure services could continue to be delivered during the second year of the pandemic.

Overall Governance Conclusion

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2021/22 managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2021/22 will be critical to create better transparency, expectations and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation has introduced some risks into the financial areas of the Council which have been identified as part of the audit reviews e.g. a lack of budget monitoring, no reconciliations being undertaken, and limited assurance reported against several review areas including Debtors and budget monitoring. Procurement also was reported with a limited assurance. The identified risks need to be mitigated as part of the action plans to be deployed to address the identified control, weaknesses.

Risk Management Conclusion

The Head of Internal Audit can confirm the further development of the formal risk management system has not progressed as well as expected in the organisation under the direction of the previous Financial and Customer Services Manager with a view to achieving a better embedded approach in the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. This has been acknowledged by the current Executive Director of Finance and Resource (£151 Officer) and a strategy agreed and launched at CMT on the 16th March 2022. The Interim Head of Financial and Customer Services is now championing risk management. A specific piece of audit work that was undertaken regarding the formulation of an expected action returned a 'no assurance' categorisation as no action plan had been agreed prior to March 2022. This assurance was associated solely to the action plan that should have been formulated and delivered during 2021/22. Risk management is present in some form in Services and there are pockets of good practice but is not corporately coordinated to allow for a joined-up view of risk from a corporate perspective. The implementation of the March 2022 action plan has buy-in from the whole of the management team and will be monitored for progress and reported before Members in the future

Audit Opinion

The internal audit of Bromsgrove District Council's systems and operations during 2021/22 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 15 July 2021 and any subsequent revisions.

INTERNAL AUDITORS' REPORT

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources

The Internal Audit Plan for 2021/22 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

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

The 2021/22 internal audit plan saw a small revision due to changing circumstances. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 14 reviews were taken into consideration. Areas which returned a level of 'limited' or 'no' assurance included debtors, budget monitoring, risk management action plan and procurement.

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

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

There has been a wide spectrum of assurance applied to the reviewed areas during 2021/22. The implementation of the new finance system has created risk hotspots. This, along with a significant loss of experienced staff due to natural churn and areas of 'limited' or 'no' assurance reviews clearly identify certain areas in the organisation that requires immediate attention to mitigate risk. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. No critical friend reviews were undertaken during 2021/22. It is difficult to draw a comparison with the previous year results and corporate position due to the changing position regarding the recovery from the pandemic and the implementation of the new system which has impacted the whole organisation.

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

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
July 2022

GLOSSARY

GLOSSARY

AAA FITCH RATING

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

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

GLOSSARY

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CLAW-BACK

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

GLOSSARY

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

GLOSSARY

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

GLOSSARY

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

GLOSSARY

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

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

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

WORCESTERSHIRE PENSION FUND (WPF)

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



Bromsgrove
District Council
www.bromsgrove.gov.uk

DRAFT
STATEMENT OF ACCOUNTS
2022/23



Parkside, Market Street, Bromsgrove, Worcestershire B61 8DA
[Tel:\(01527\) 881288](tel:01527881288)

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NARRATIVE REPORT

Introduction

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

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

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

The Statement of Accounts brings together the major financial statements for the financial year 2022/23. The statements and the notes that accompany them give a full and clear picture of the financial position of Bromsgrove District Council.

The sections are:

- **Narrative Report** – An overview of the Council's financial and operational performance, main objectives, Governance, key risks, and strategies for future service delivery
- **Statement of Responsibilities** – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- **Movement in Reserves Statement** – The movement in the year on the different reserves held by the Council
- **Comprehensive Income and Expenditure Statement** – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- **Balance Sheet** – The value of the assets and liabilities recognized by the Council and the Group as at 31st March 2023
- **Cash Flow Statement** – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Notes to the Financial Accounts** – The Statements are supported by technical notes
- **The Collection Fund and Notes** – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- **Statement of Accounting Policies** – Outlines the significant accounting policies adopted by the Council
- **Group Accounts** - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2022/23 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Bromsgrove District Council.

NARRATIVE REPORT

Our District

Bromsgrove District Council sits within the West Midlands. It has a population of 96,000 over an area of 84 square miles. It has 45,000 homes and businesses and 31 Councillors over 30 Wards. All out elections will take place in May 2023.

The District has an above-average number of over 60s, with concentrations of people in several smaller towns and villages. Many residents commute to Birmingham, but despite that it has the highest percentage of business start-ups in England. It has isolated areas of deprivation and high median income levels.

Elections are held once every four years. All seats are contested together. The next election is in 2023. The Council has a 'leader and cabinet' form of governance, which means the Council delegates authority to decide some matters to a 'cabinet' called the cabinet committee, which is chaired by the Leader of the Council. The cabinet committee manages much of the ordinary business of the Council, with the full council having the final say on matters of strategic policy, budget, and council tax.

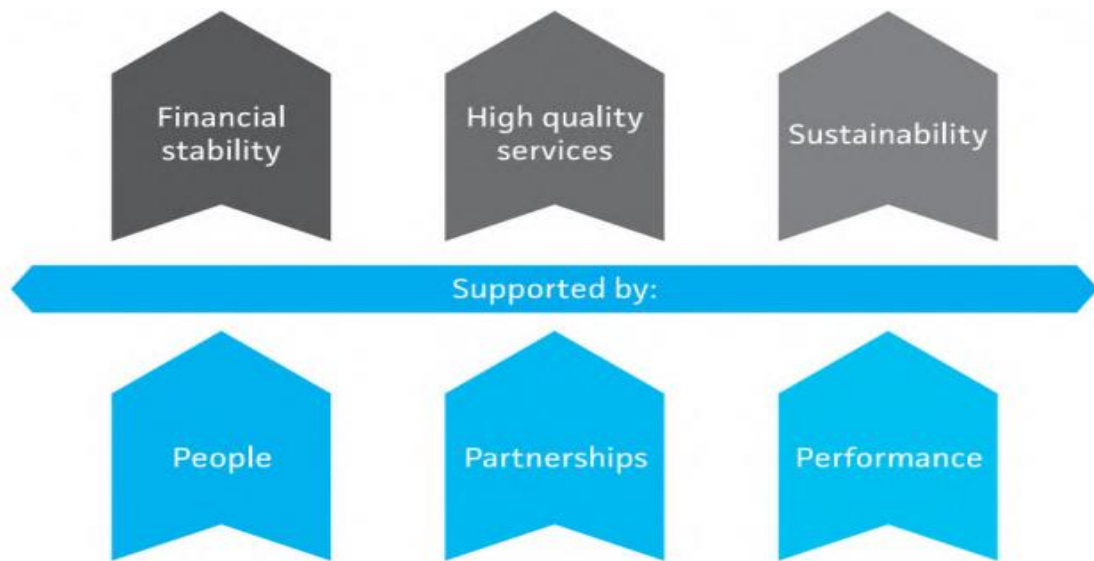
The Council, along with Redditch Borough Council, were one of the first Councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

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

Strategic Purpose

Bromsgrove District Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them as well. Through considering what really matters to our residents, we have developed six key priorities, supported by six strategic purposes. Working to the purposes will help us to understand the needs of the District and how, together with our partners, we can improve the lives of our residents and the prospects for Bromsgrove District as a whole.





National Position

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

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

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

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

Financial Performance

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

Organisational Performance

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

NARRATIVE REPORT

Governance

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

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

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

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

Reserves, Financial Performance and Financial Position

Financial Outlook

The Medium-Term Financial Plan 2022/23 – 2024/25 was approved by Council on 23 February 2022 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs, associated with maintaining current service delivery, or reductions in anticipated income revenue over the next three years. This has been exacerbated by the start of the move back to “normal working” in 2022/23 as we move out of the Covid-19 pandemic. In this period, we have seen the significant drops of income seen in previous years starting to be rebuilt and reduction in one-off Government Grant funding to ensure in year support for the most vulnerable in our community, both individuals and businesses due to the Covid-19 pandemic.

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

- A £200k estimated reduction on car park income which represents the best estimate of the impact of Covid-19 on usage in 22/23.
- An overall investment of £100k in ICT infrastructure.

The Council's Leisure budgets remain a risk area for the Council given the degree of uncertainty concerning Covid-19 and its impact on the leisure sector. The Council's budget includes (Pre-Covid agreed contracted) income levels of £0.557m for 2022/23. It is not proposed that this income budget is amended at this time. However, it is acknowledged that this is an area of very specific risk that must be considered in the context of the Council's reserve balances.

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

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A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2022/23 but needs to address a shortfall in future years ranging from £1.099m in 2023/24 to £1.472m in 2024/25 to avoid using general reserves to balance the budget.

	2022-23	2023-24	2024-25
	£000	£000	£000
Departmental base budget	11,673	11,682	11,890
Incremental Progression/Inflation on Utilities	174	318	260
Unavoidables Pressures	250	16	16
Revenue Bids & Revenue impact of capital bids	148	107	86
Savings and Additional income	-176	-176	-176
Changes in Specific Grant/Funding Movements	0	0	0
Net Revenue Budget Requirement	12,069	11,947	12,076
Financing			
Funding from reserves	-100	0	0
Lower Tier Services Grant	-700	0	0
Business Rates Net Position	-2,510	-2,510	-2,510
New Homes Bonus	-363	0	0
Collection Fund Deficit (Council Tax)	-175	0	0
Council Tax	-8,937	-9,243	-9,560
Investment Income	-0	-0	-0
Interest Payable	260	262	249
MRP (Principal)	1,081	1,172	1,078
Discount on advanced pension payment	-214	-40	-120
Funding Total	-11,658	-10,360	-10,864
General Balances	2022-23	2023-24	2024-25
	£000	£000	£000
Opening Balances 21/22 (projected)	4,257	3,846	2,259
Contribution (from) / to General Balances	-411	-1,588	-1,213
Closing Balances	3,846	2,259	1,046

Risks and Opportunities

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

Risk management is managed through the Corporate Management Team and Audit Governance & Standards Committee. Its key corporate risks at the end of the 2022/23 financial year classified as highest priority, as reported to this Committee were:

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

Ten other "Corporate Risks" were classified as Amber.

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

NARRATIVE REPORT

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 14. The objective is to demonstrate to Council taxpayers and housing rent payers how the funding available to the Authority (i.e., Government grants, Council tax, rents, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2022/23 is shown below:

	2022/23 Full Year Budget	2022/23 Cross- cutting saving allocation	2022/23 Revised Budget	2022/23 Outturn	2022/23 Adjusted Provisional Outturn Variance
Regulatory Client	228,063	0	228,063	238,354	10,291
Business Transformation & Organisational Development	1,857,867	(156,971)	1,700,896	1,511,928	(188,968)
Chief Executive	1,797,361	(3,293)	1,794,068	1,703,112	(90,956)
Community & Housing GF Services	1,093,315	(80,173)	1,013,142	1,316,724	303,582
Environmental Services	3,438,085	(42,175)	3,395,910	3,666,581	270,671
Financial & Customer Services	1,406,322	(87,038)	1,319,284	1,957,842	638,559
Legal, Democratic & Property Services	1,146,850	(4,235)	1,142,615	1,400,517	257,902
Planning, Regeneration & Leisure Services	1,578,027	(50,182)	1,527,845	1,566,812	38,967
Cross cutting savings and efficiency targets	(477,890)	424,067	(53,823)	0	53,823
Net Expenditure before Corporate Financing	12,068,000	0	12,068,000	13,361,870	1,293,870

The actuals reported above are based on the management accounts for the Authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. As an example, the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority, but this would be recorded as other income and expenditure in the Expenditure and Funding Analysis.

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

Business Transformation & Organisational Development – £189k underspend

Within Business Transformation & Organisational Development, the underspend position is predominantly due to budget underspends within the ICT service.

The overall underspend for the service is after the absorption of £157k cross cutting efficiency savings targets based upon forecast underspends at quarter 1 within ICT due to budget efficiencies and Human Resources due to vacancies within the service. Following the installation of a new HR software package, recruitment is underway to recruit to vacant posts within the service.

NARRATIVE REPORT

Chief Executive – £91k underspend

Within the Chief Executive area, the underspend position is due to budget efficiencies against corporate expenditure budgets.

Community and Housing General Fund Services - £304k overspend

Within Community and Housing General Fund Services the position is as a result of an overspend within Community Safety.

This position is after the absorption of £80k cross cutting efficiency savings targets based upon underspends at quarter 1.

Environmental Services – £271k overspend

Within Environmental Services there are a number of services that have overspends against budget. This is largely as a result of the implications of the pay award, temporary staffing and fleet costs within Waste Management, Place Teams and Management and Support.

This overall overspend position is after the absorption of £42k cross cutting efficiency savings targets based upon underspends at quarter 1 within Engineering & Design and Place Teams due to vacancies and budget efficiencies respectively.

Financial & Customer Services – £639k overspend

Within Financial & Customer Services there is an overspend in the region of £639k. Within this overspend there are £195k insurance recharges which need to be reallocated across other departments. In addition to this, the overspend is as a result of the implications of the pay award, temporary staffing requirements within Financial Services and reduced court costs/housing benefits overpayments recovered.

This overspend position is after the absorption of £87k cross cutting efficiency savings targets based upon underspends at Q1.

Legal, Democratic and Property Services – £258k overspend

Within Legal, Democratic and Property Services the overspend position is predominantly due to a budget pressure within Facilities Management linked to SLM. The Council has a contract with SLM to deliver Leisure Management Services on its behalf at Bromsgrove Sports and Leisure Centre (BSLC). During the Covid-19 pandemic, the BSLC had to temporarily close and received financial support from the Council via the General Covid-19 grant. The Leisure sector continues to recover from the effects of the Covid-19 pandemic, and therefore a cost pressure has been seen in this area. This budget pressure has been offset in part due to staffing underspends as a result of vacancies across Legal and Democratic Services during the financial year.

Planning, Regeneration and Leisure Services – £39k overspend

Within Planning, Regeneration and Leisure Services there is an overspend of £39k. This is mainly due to the impact of the increased pay award.

Regulatory Client – draft outturn position £16k overspend (Q3 £2k overspend)

There is a small overspend position on the Regulatory Client. This takes into account the budgetary increases approved at the Worcestershire Regulatory Services Board Meeting in November 2022.

Reserves

The over/underspend position has resulted in the Council's General Fund position increasing from an opening position of £14.235m by the overspend position of £1.131m to a closing balance of £13.104m,

NARRATIVE REPORT

Earmarked reserves have reduced from an opening position of £13.858m to a closing position of £11.159m.

Capital

Expenditure was £9.529m against capital budgets of £13.099m approved for the year. This is an £3.570m under/overspend. The Medium-Term Financial Plan (MTFP) already requested £2.843m be slipped to future years.

There have been significant underspends in capital during the year. This has been due to delayed starts in projects and slower spend than anticipated.

Explanation of the Accounting Statements

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

The Core Statements are:

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

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

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

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

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2022.

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

The Supplementary Statements are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of Bromsgrove District Council and the Town & Parish Councils within the Bromsgrove district. The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

The Chief Finance Officer's responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

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

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31st March 2022.

..... Date:

Director of Finance and Resources (Chief Finance Officer)

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

..... Date:

Chair

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

	Notes	2022/23			2021/22		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Business Transformation and Organisational Development		2,919	(902)	2,017	2,596	(1,051)	1,545
Community and Housing GF Services		3,407	(1,817)	1,591	9,218	(1,496)	7,722
Corporate Services		1,626	(380)	1,246	1,647	(3,584)	(1,937)
Environmental Services		15,137	(7,450)	7,687	13,200	(7,665)	5,535
Financial and Customer Services		14,201	(10,674)	3,527	19,601	(17,462)	2,139
Legal, Democratic and Property Services		2,848	(1,279)	1,569	2,998	(1,509)	1,489
Planning, Regeneration and Leisure Services		4,032	(1,781)	2,251	4,372	(2,231)	2,141
Regulatory Client WRS		537	(292)	245	451	(298)	153
Subsidiary		5,262	(4,274)	989	5,992	(5,427)	565
Starting Well		0	0	0	189	0	189
		1	0	1	6	0	6
Cost of Services		49,970	(28,848)	21,122	60,270	(40,723)	19,547
Other Operating Expenditure	B4	1,019	(772)	247	1,180	(527)	653
Financing and Investment Income and Expenditure	B5	4,077	(2,796)	1,281	3,028	(2,092)	936
Taxation and Non-Specific Grant Income and Expenditure	B6	19,830	(33,467)	(13,637)	8,263	(30,117)	(21,854)
(Surplus) or Deficit on Provision of Services				9,012			(718)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	D1			(3,969)			0
Remeasurement of the net defined benefit liability/(asset)	E1			(4,352)			(18,997)
Other Comprehensive Income and Expenditure				(8,321)			(18,997)
							0
Total Comprehensive Income and Expenditure				691			(19,715)

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for the year ended 31 March 2023

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

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2021	4,452	13,437	17,889	81	17,971	(36,417)	(18,446)
<u>Movement in reserves during the year</u>							
Total Comprehensive Income and Expenditure	718	0	718	0	718	18,998	19,715
Adjustments between accounting basis & funding basis under regulations	9,486	0	9,486	251	9,737	(9,737)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	10,204	0	10,204	251	10,455	9,261	19,715
Transfers to or from earmarked reserves	(421)	421	0	0	0	0	0
Increase/(Decrease) in Year	9,783	421	10,204	251	10,455	9,261	19,715
Balance as at 31 March 2022	14,235	13,858	28,093	332	28,425	(27,156)	1,269
<u>Movement in reserves during the year</u>							
Total Comprehensive Income and Expenditure	(9,012)	0	(9,012)	0	(9,012)	8,321	(691)
Adjustments between accounting basis & funding basis under regulations	5,182	0	5,182	203	5,385	54,727	60,112
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,830)	0	(3,830)	203	(3,627)	63,048	59,421
Transfers to or from earmarked reserves	2,699	(2,699)	0	0	0	0	0
Increase/(Decrease) in Year	(1,131)	(2,699)	(3,830)	203	(3,627)	63,048	59,421
Balance as at 31 March 2023	13,104	11,159	24,263	535	24,798	35,892	60,690

BALANCE SHEET

Balance Sheet as at 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves included 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 in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2023 £000	31st March 2022 £000
Property, Plant & Equipment	D1	66,748	40,487
Intangible Assets	D2	532	712
Long Term Debtors	D3	331	188
Long Term Assets		67,611	41,387
Short Term Investments	E2	1,250	3,142
Inventories	D8	649	529
Short Term Debtors	E2	6,296	9,810
Cash and Cash Equivalents	F1	425	2,473
Current Assets		8,620	15,954
Short Term Creditors	E2	(3,246)	(676)
Short Term Borrowing	E2	(2,000)	0
Provisions	D5	(3,253)	(528)
Revenue Grants received in advance		(3,069)	(2,409)
Current Liabilities		(11,568)	(3,613)
Other Long Term Liabilities	E2	(3,529)	(48,587)
Capital Grants received in advance		(445)	(3,872)
Long Term Liabilities		(3,973)	(52,459)
Net Assets		60,690	1,269
Usable reserves	C3	24,798	28,425
Unusable Reserves	C4	35,892	(27,156)
Total Reserves		60,690	1,269

CASH FLOW STATEMENT

Cash Flow Statement at 31 March 2023

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

	Notes	2022/23 £000	2021/22 £000
Net surplus or (deficit) on the provision of services		(9,012)	718
Adjustment to surplus or deficit on the provision of services for non-cash movements	F2	15,872	5,698
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	F3	0	0
Net cash flows from Operating Activities		6,860	6,416
Investing Activities	F4	(8,907)	(6,796)
Financing Activities	F5	0	0
Net increase or (decrease) in cash and cash equivalents		(2,047)	(380)
Cash and cash equivalents at the beginning of the reporting period		2,473	2,853
Cash Balance at End of Period		426	2,473

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balances	2022/23		Strategic Purpose	2021/22		
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
2,641	(624)	2,017	Business Transformation and Organisational Development	1,546	0	1,546
1,634	(43)	1,591	Community and Housing GF Services	8,163	(441)	7,722
1,399	(153)	1,246	Corporate Services	(1,802)	(136)	(1,938)
11,558	(3,871)	7,687	Environmental Services	5,699	(165)	5,534
3,527	0	3,527	Financial and Customer Services	5,271	(3,133)	2,139
1,891	(322)	1,569	Legal, Democratic and Property Services	1,630	(140)	1,490
3,139	(888)	2,251	Planning, Regeneration and Leisure Services	2,527	(386)	2,141
245	0	245	Regulatory Client	993	(840)	153
1,955	(966)	989	Worcester Regulatory Services	754	(190)	564
0	0	0	Subsidiary	189	0	189
1	0	1	Startwell	1,014	(1,008)	6
27,988	(6,867)	21,122	Net Cost of Services	25,986	(6,439)	19,547
(649)	11,461	(12,110)	Other Income and Expenditure	(20,265)	0	(20,265)
27,339	4,594	9,012	Surplus or Deficit	5,721	(6,439)	(718)

(14,235)	Opening General Fund Balance	(8,514)
27,339	Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(5,721)
13,104	Closing General Fund Balance at 31 March	(14,235)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B2. Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total
	£000	£000	£000	£000
Business Transformation and Organisational Development	281	343	0	624
Community and Housing GF Services	0	43	0	43
Corporate Services	0	153	0	153
Environmental Services	1,781	2,090	0	3,871
Financial and Customer Services	0	0	0	0
Legal, Democratic and Property Services	49	273	0	322
Planning, Regeneration and Leisure Services	404	484	0	888
Regulatory Client	0	0	0	0
WRS	0	966	0	966
Starting Well	0	0	0	0
Net Cost of Services	2,515	4,352	0	6,867
Other Income and Expenditure from the Expenditure and Funding Analysis	0	0	(11,461)	(11,461)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,515	4,352	(11,461)	(4,594)

B3. Expenditure and Income Analysed by Nature

The Authority's expenditure and income are analysed as follows:

Expenditure:	2022/23 £000	2021/22 £000
Employee Benefits Expenses	19,852	20,211
Other Expenditure	30,145	40,287
Depreciation, Amortisation, Impairment	2,605	2,413
Interest Payments	4,077	6,269
Precepts and Levies	9,566	3,035
Gain on the Disposal of Assets	(772)	(888)

Income:	2022/23 £000	2021/22 £000
Fees, Charges and other service Income	(6,148)	(6,084)
Interest and Investment Income	(2,796)	(1,964)
Income for Council tax, non-domestic rates, district rate income	(27,731)	(14,119)
Government Grants and Contributions	(12,871)	(42,594)
Internal Recharges	(6,915)	(7,285)
(Surplus) or Deficit on the Provision of Services	9,012	(718)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Revenue from contracts with Service Recipients

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

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

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

B4. Other Operating Income and Expenditure

	2022/23 £000	2021/22 £000
Parish council precepts	1,019	1,030
(Gains)/losses on the disposal of non current assets	(772)	0
Other	0	(377)
Total	247	653

B5. Financing and Investment Income and Expenditure

	2022/23 £000	2021/22 £000
Net interest on the net defined benefit liability (asset)	1,310	1,078
Interest receivable and similar income	(29)	0
Other investment income	0	(142)
Total	1,281	936

B6. Taxation and Non-Specific Grant Income and Expenditure

	2022/23 £000	2021/22 £000
Income		
Council Tax Income	(10,382)	(9,934)
Non Domestic Rates Income and Expenditure	(8,886)	4,078
Non-ring-fenced government grants	6,560	(15,342)
Capital Grants and Contributions	(929)	(656)
Total	(13,637)	(21,854)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B7. Members Allowances

	2022/23 £000	2021/22 £000
Basic Allowances	148	146
Special Allowances	68	73
Expenses Inc. Car Allowances	1	1
Total	217	220

B8. External Audit Costs

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

	2022/23 £000	2021/22 £000
Fee Variations agreed for External Audit *	53	-1
Housing Benefit Audit	26	18
Fees payable with regard to external audit services carried out by the appointed auditor for the year	45	39
Total	124	56

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

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

B9. Grant Income

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

Credited to Taxation and Non-Specific Grant Income	2022/23 £000	2021/22 £000
RSG	(974)	(659)
New Homes Bonus	(898)	0
Section 31	9,365	(5,445)
Capital Grants	(445)	(656)
Non ring-fenced Grant	(2,391)	(7,435)
Total	5,631	(14,195)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2022/23	2021/22
Credited to Services	£000	£000
MHCLG Local Council Tax Support Admin Subsidy	0	(185)
MHCLG New Burdens	0	0
MHCLG NNDR Cost of Collection	(127)	0
MHCLG Homelessness Grants	(220)	(242)
MHCLG COVID 19	(218)	(4,834)
DWP Admin Grant	(219)	0
DWP Housing Benefit Subsidy	(10,360)	(10,618)
Other grants	0	(2,016)
Total	(11,144)	(17,895)

B10. Employees Remuneration

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

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

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

of Leisure, Environmental & Community	2021/22	127,259	20,999	148,258	74,129	74,129
Total	2022/23	130,171	21,357	151,529	75,764	75,764
	2021/22	127,259	20,999	148,258	74,129	74,129

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

	2022/23	2021/22
£50,001 to £55,000	2	3
£55,001 to £60,000	5	10
£60,001 to £65,000	10	5
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	2
£85,001 to £90,000	5	4
£90,001 to £95,000	0	1
£95,001 to £100,000	1	0
£100,001 to £105,000	0	1
£105,001 to £110,000	1	0
£110,001 to £115,000	0	1
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	0
£130,001 to £135,000	0	0
£135,001 to £140,000	1	1
Total	25	28

B11. Termination Benefits

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	20	0	4	2	24	2	224,335	33,708
£20,001 - £40,000	1	0	0	0	1	0	22,342	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total cost included in bandings							246,677	33,708
Recharge to Redditch Borough Council							0	(16,854)
Cost to Bromsgrove District Council							246,677	16,854
Total cost included in the CIES							246,677	16,854

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

General Fund Balance

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

Usable Reserves			
Balance Sheet as at 31 March 2023	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.			
Pension cost (transferred to (or from) the Pensions Reserve)	5,217	0	(5,217)
Council tax and NDR (transfers to or from the Collection Fund)	168	0	(168)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	0	0	0
Items in suspense to be discussed with auditors	0	0	0
Total Adjustments to Revenue Resources	5,385	0	(5,385)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(203)	203	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0
Total Adjustments to Revenue Resources	(203)	203	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	0
Total Adjustments to Capital Resources	0	0	0
Total Adjustments	5,182	203	(5,385)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Usable Reserves			
Balance Sheet as at 31 March 2022	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.			
Pension cost (transferred to (or from) the Pensions Reserve)	2,955	0	(2,955)
Council tax and NDR (transfers to or from the Collection Fund)	5,206	0	(5,206)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,160	0	(3,160)
Items in suspense to be discussed with auditors	0	0	0
Total Adjustments to Revenue Resources	11,321	0	(11,321)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	251	(251)	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,088)	0	2,088
Total Adjustments to Revenue Resources	(1,837)	(251)	2,088
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	0
Total Adjustments to Capital Resources	0	0	0
	0	0	0
Total Adjustments	9,484	(251)	(9,233)

C2. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22 and 2022/23.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	Balance as at 31 March 2021 £000	Transfers In 2021/22 £000	Transfers Out 2021/22 £000	Balance as at 31 March 2022 £000	Transfers In 2022/23 £000	Transfers Out 2022/23 £000	Balance as at 31 March 2023 £000
General Fund:							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	82	0	0	82	0	0	82
Community Services	271	0	0	271	50	0	321
Economic Regeneration	1,348	0	0	1,348	0	0	1,348
Election Services	51	0	0	51	34	0	85
Environmental Services	49	0	(22)	27	0	0	27
Financial Services	4,445	320	(60)	4,705	0	0	4,705
Housing Schemes	488	433	(57)	864	0	0	864
ICT/Systems	197	0	0	197	0	0	197
Leisure/Community Safety	330	72	(251)	151	0	(36)	115
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Other	108	0	(41)	67	0	0	67
Planning & Regeneration	133	0	0	133	330	0	463
Regulatory Services (Partner Share)	46	27	0	73	12	0	85
Shared Services (Severance Costs)	311	0	0	311	0	0	311
Covid-19 (General Covid Grant)	766	0	0	766	0	0	766
Covid-19 (Collection Fund)	4,789	0	0	4,789	0	(3,185)	1,604
Shopmobility Donations	0	0	0	0	0	0	0
Council Tax Hardship Fund	0	0	0	0	79	0	79
Artrix Holding Trust	0	0	0	0	17	0	17
Total General Fund	13,437	852	(431)	13,858	522	(3,221)	11,159

C3. Usable Reserves

	31/03/2023 £000	31/03/2022 £000
Capital Receipts Reserve	535	332
General Fund Balances	13,104	14,235
Earmarked Reserves	11,159	13,858
Total Usable Reserves	24,798	28,425

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Capital Receipts Reserve

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

	31/03/2023 £000	31/03/2022 £000
Balance 1 April	332	82
Capital Receipts in year	203	250
Sub-Total	535	332
Less:		
Capital Receipts used for financing	0	0
Balance 31 March	535	332

Since 1 April 2016, Local Authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the £0.535m is available to be used either for financing capital investments or funding projects qualifying for the flexible use.

C4. Unusable Reserves

	31/03/2023 £000	31/03/2022 £000
Revaluation Reserve	21,423	7,344
Capital Adjustment Account	14,067	12,065
Pensions Reserve	632	(46,503)
Collection Fund Adjustment Account	(42)	126
Accumulated Absences Account	(188)	(188)
Total Unusable Reserves	35,892	(27,156)

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2023 £000	31/03/2022 £000
Balance at 1 April	7,344	7,344
Upward revaluation of assets	14,079	0
Balance at 31 March	21,423	7,344

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Capital Adjustment Account

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	12,065	13,641
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(2,515)	(2,266)
Revaluation losses on Property, Plant and Equipment	0	0
Amortisation of Intangible Assets	(90)	(148)
Revenue expenditure funded from capital under statute	0	(746)
	(2,605)	(3,160)
Adjusting amounts written out of the Revaluation Reserve	0	0
Net written out amount of the cost of non current assets consumed in the year	(2,605)	(3,160)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	0
Application of grants to capital financing from the Capital Grants Unapplied Account	4,607	1,584
Statutory provision for the financing of capital investment charged against the General Fund	0	0
	4,607	1,584
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	14,067	12,065

Pensions Reserve

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

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	(46,503)	(52,665)
Remeasurements of the net defined benefit liability/(asset)	46,307	19,565
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,986)	(15,887)
Employers pensions contributions and direct payments to pensioners payable in the year	2,814	2,484
Balance at 31 March	632	(46,503)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Collection Fund Adjustment Account

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

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	126	(5,080)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(168)	5,206
Balance at 31 March	(42)	126

Accumulated Absences Account

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

	31/03/2023	31/03/2022
	£000	£000
Balance at 1 April	(188)	(189)
Settlement or cancellation of accrual made at the end of the preceding year	188	189
Amounts accrued at the end of the current year	(188)	(188)
Balance at 31 March	(188)	(188)

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Current Year

	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2022	6,925	18,680	9,713	976	1,102	5,723	2,501	45,620
Adjustments re prior years		3,481	482	0	0	0	0	3,963
Adjusted opening balance	6,925	22,161	10,195	976	1,102	5,723	2,501	49,583
Additions	0	7,014	527	58	536	0	0	8,135
Revaluation increases/decreases to Revaluation Reserve	0	(1,574)	0	0	0	0	0	(1,574)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	17,605	0	0	0	0	0	17,605
Other movements	0	0	0	0	0	(622)	0	(622)
Balance as at 31 March 2023	6,925	45,206	10,722	1,034	1,638	5,101	2,501	73,127
Depreciation and Impairment								
Balance as at 1 April 2022	0	(784)	(4,168)	(181)	0	0	0	(5,133)
Adjustments re prior years	0	0	(3)	0	0	0	0	(3)
Adjusted opening balance	0	(784)	(4,171)	(181)	0	0	0	(5,136)
Depreciation Charge	0	(1,278)	(1,456)	(83)	0	0	0	(2,817)
Depreciation written out on Revaluation Reserve	0	1,574	0	0	0	0	0	1,574
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Balance as at 31 March 2023	0	(488)	(5,627)	(264)	0	0	0	(6,379)
Net Book Value								
Balance as at 31 March 2023	6,925	44,718	5,095	770	1,638	5,101	2,501	66,748
Balance as at 31 March 2022	6,925	17,896	5,545	795	1,102	5,723	2,501	40,487

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment Comparative Year

	Operational Land	Operational Building	Vehicles, Plant and Equipment	Infrastructure	Community assets	Assets under construction	Surplus Asset	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2021	6,924	23,109	18,371	1,408	1,101	528	2,501	53,942
Adjustments re prior years	1	(4,429)	(8,658)	(432)	1	(528)	0	(14,045)
Adjusted opening balance	6,925	18,680	9,713	976	1,102	0	2,501	39,897
Additions	0	0	0	0	0	5,723	0	5,723
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	6,925	18,680	9,713	976	1,102	5,723	2,501	45,620
Depreciation and Impairment								
Balance as at 1 April 2021	0	(937)	(11,314)	(549)	0	0	0	(12,800)
Adjustments re prior years	0	839	8,657	436	0	0	0	9,932
Adjusted opening balance	0	(98)	(2,657)	(113)	0	0	0	(2,868)
Depreciation Charge	0	(686)	(1,511)	(68)	0	0	0	(2,265)
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Balance as at 31 March 2022	0	(784)	(4,168)	(181)	0	0	0	(5,133)
Net Book Value								
Balance as at 31 March 2022	6,925	17,896	5,545	795	1,102	5,723	2,501	40,487
Balance as at 31 March 2021	6,925	18,582	7,056	863	1,102	0	2,501	37,029

NOTES TO THE BALANCE SHEET

Depreciation

All assets have been depreciated using a reducing balance method.

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

Valuation of Property, Plant and Equipment

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

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

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Refuse Authority and Central Government. The Council share of business rate assets and liabilities in 2020/21 was 40% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compared with 40% in 2021/22.

Transfers between levels of the Fair Value Hierarchy

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

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

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured at £2.501m. Valuations have been conducted by Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

NOTES TO THE BALANCE SHEET

D2. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.090m (£0.148m in 2021/22) charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly Revenues and Benefits, Cashiers and the IT service.

All software is assigned a useful life of seven years.

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

	£000
Cost or Valuation	
Balance as at 1 April 2022	4,688
Additions	45
Derecognition - Other	(3,423)
Balance as at 31 March 2023	1,310
Depreciation and Impairment	
Balance as at 1 April 2022	(3,977)
Depreciation Charge	(90)
Derecognition - Other	3,289
Balance as at 31 March 2023	(778)
Net Book Value	
Balance as at 31 March 2023	532
Balance as at 31 March 2022	712

D3. Debtors

	Long term debtors		Short term debtors	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Central Government Bodies	0	0	1,907	4,763
Other Local Authorities	0	0	347	2,368
Other entities and individuals	331	188	6,283	4,550
Less bad debt provision	0	0	(2,241)	(1,871)
Total	331	188	6,296	9,810

D4. Creditors

	Short term creditors	
	2022/23 £000	2021/22 £000
Central Government bodies	0	0
Other local authorities	(2,289)	(676)
Other Entities and Individuals	(957)	0
Total	(3,246)	(676)

NOTES TO THE BALANCE SHEET

D5. Provisions 2022/23

	Balance as at 1 April 2022 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2023 £000
Business Rates Appeals	(335)	(2,729)	0	(3,064)
Employee Benefits	(189)	0	0	(189)
Insurance Provision	(4)	0	4	0
Total	(528)	(2,729)	4	(3,253)

2021/22

	Balance as at 1 April 2021 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2022 £000
Business Rates Appeals	(1,251)	0	916	(335)
Employee Benefits	(189)	0	0	(189)
Insurance Provision	(4)	0	0	(4)
Total	(1,444)	0	916	(528)

Business Rates Appeals Provision

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

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

D6. Capital Expenditure and Financing

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

NOTES TO THE BALANCE SHEET

Capital Expenditure and Capital Financing	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement	26,649	21,195
Capital Investment		
Property, Plant and Equipment	8,135	6,796
Intangible Assets	45	0
Long Term Debtor	143	0
Revenue Expenditure Funded from Capital under Statute	1,182	746
Total	9,505	7,542
Sources of finance		
Capital receipts	(203)	0
Government grants and other contributions	(445)	0
Sums set aside from revenue:		
Direct revenue contributions:	(2,892)	(2,088)
General Fund	0	0
Minimum Revenue Provision (MRP)	0	0
	(3,540)	(2,088)
Closing Capital Finance Requirement	32,614	26,649
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	5,965	5,454
Increase/(decrease) in Capital Financing Requirement	5,965	5,454

D7. Assets Held for Sale

There were no assets held for sale as at 31 March 2023. To be an asset held for sale, it requires the Council to be committed to plan to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months.

D8. Inventories

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

	Consumable Stores	
	2022/23	2021/22
	£000	£000
Balance outstanding at start of year	528	249
Purchases	325	595
Recognised as an expense in year	(204)	(316)
Balance outstanding at year end	649	528

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E1. Defined Benefit Pension Scheme

Retirement Benefits

Participation in the Local Authority Pension Scheme

Discretionary post-retirement Benefits

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

Transactions relating to post-employment Benefits.

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

		Local Government Pension Scheme		Discretionary Benefits	
		2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Comprehensive Income and Expenditure Statement					
<i>Cost of services:</i>					
<i>Service cost comprising:</i>					
	Current service cost	4,206	4,151	0	0
	Past service cost	0	35	0	0
	(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:					
	Net Interest expense	1,260	1,115	48	43
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services		5,466	5,301	48	43

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	1,394	(5,517)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(2,252)	(1,091)	(26)	0
Actuarial gains and losses arising on changes in financial assumptions	(56,828)	(2,546)	(422)	187
Actuarial gains and losses arising on changes in Experience	11,021	354	209	(43)
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(41,199)	(3,499)	(191)	187

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,352)	(5,301)	48	(43)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	2,814	2,540	131	131
Retirement benefits payable to pensioners	(3,765)	(131)	(131)	(2,874)

Pension Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Present value of the defined obligation	(98,396)	(139,591)	(1,440)	(1,762)
Fair value of plan assets	98,975	94,934	0	0
Net liability arising from the defined benefit obligation	579	(44,657)	(1,440)	(1,762)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Net Liability and Pension Strain		Local Government Pension Scheme	
		2022/23 £000	2021/22 £000
Local Government Pension Scheme		579	(44,657)
Discretionary Benefits		(1,440)	(1,762)
Sub-total		(861)	(46,419)
Advance Payment of Pension Contributions		0	4,138
Net liability arising from the defined benefit obligation		(861)	(42,281)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening fair value of scheme assets	94,934	93,024	0	0
Interest income	2,654	1,875	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	1,692	0	0	0
Contributions from employer	2,814	2,540	131	131
Contributions from employees into the scheme	688	670	0	0
Benefits/transfers paid	(3,765)	(3,136)	(131)	(131)
Administration costs	(42)	(39)	0	0
Closing value of scheme assets	98,975	94,934	0	0

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Reconciliation of the present value of the scheme liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance at 1 April	(141,353)	(139,905)	(1,762)	(1,883)
Current service cost	(4,206)	(3,986)	0	0
Interest cost	(3,914)	(2,914)	(48)	(38)
Contributions from scheme participants	(688)	(670)	0	0
Remeasurement (gains) and losses:				
Experience (gains/losses)	(11,021)	(354)	(209)	(5)
Financial Assumptions (gains/losses)	56,828	2,546	422	20
Demographic Assumptions (gains/losses)	2,252	1,091	26	13
Past service cost	0	(35)	0	0
Losses/(gains) on curtailments where relevant	(59)	0	0	0
Benefits/transfers paid	3,765	2,874	131	131
Liabilities extinguished on settlements (where relevant)	0	0	0	0
Balance as at 31 March	(98,396)	(141,353)	(1,440)	(1,762)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2023 £000	31/03/2022 £000
Cash and cash equivalents	1,460	0
Equities:		
UK quoted	103	106
Overseas quoted	22,117	23,246
PIV - UK managed	12,447	13,082
PIV - UK managed (overseas)	36,107	37,950
PIV - Overseas managed	720	757
Sub-total equity	71,494	75,141
Bonds:		
UK Corporate	0	0
Overseas Corporate	0	0
Other Corporate	1,189	1,338
UK Government Fixed	1,366	1,538
Overseas Government	0	0
Sub-total bonds	2,555	2,876

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Property:		
European Property Fund	0	0
UK Property Debt	1,063	661
Overseas Property Debt	709	441
UK Property Funds	6,732	4,185
Overseas REITs	0	0
Sub-total property	8,504	5,287
Alternatives		
UK Infrastructure	5,755	4,473
European Infrastructure	3,836	2,982
US Infrastructure	3,197	2,485
UK Stock Options	512	398
Overseas Stock Options	(256)	(199)
Corporate Private Debt	1,918	1,491
Sub-total alternative funds	14,962	11,630
Total assets	98,975	94,934

All scheme assets have quoted prices in active markets.

Basis for estimating assets and liabilities.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2023.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23	2021/22	2022/23	2021/22
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.0	22.6	22.0	22.6
Women	24.2	25.0	24.2	25.0
<i>Longevity at 65 for future pensioners:</i>				
Men	23.3	24.1	23.3	24.1
Women	26.1	27.0	26.1	27.0
Financial assumptions:				
Rate of inflation	2.7%	3.3%	2.7%	3.3%
Rate of increase in salaries	4.2%	4.8%	4.2%	4.8%
Rate of increase in pensions	2.8%	3.4%	2.8%	3.4%
Discount Rate	4.8%	2.8%	4.8%	2.8%

Impact on the Authority's cashflows

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E2. Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash and Cash Equivalents	0	0	425	2,473	425	2,473	0	0	331	0	331	0
Loans and Receivables	1,250	3,142	6,296	9,810	7,546	9,810	0	0	0	0	0	0
Total Financial Assets	1,250	0	6,721	12,283	7,971	12,283	0	0	331	0	331	0
Non-Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,250	0	6,721	12,283	7,971	12,283	0	0	331	0	331	0

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Carried at Contract amount	(2,000)	0	(3,246)	(676)	(5,246)	(676)	0	0	(3,529)	0	(3,529)	0
Total Financial Liabilities	(2,000)	0	(3,246)	(676)	(5,246)	(676)	0	0	(3,529)	0	(3,529)	0
Non-Financial Liabilities	0	0	0	(48,587)	0	(48,587)	0	0	0	0	0	0
Total	(2,000)	0	(3,246)	(49,263)	(5,246)	(49,263)	0	0	(3,529)	0	(3,529)	0

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E3. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
	£2.5m	£2.5m	£2.5m	£2.5m	£1m

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

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

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

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Interest Rate Risk

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

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

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

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

Price Risk

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

E4. Leases

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

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

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

The Authority as Lessee – Finance Leases

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

Lease payments are apportioned between:

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

Lease payments are apportioned between:

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

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

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

The Council has no finance leases.

Operating Leases

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

	2022/23 £000	2021/22 £000
Minimum lease rentals payable:		
No later than 1 year	25	25
Later than 1 year and no later than 5 years	100	100
Later than 5 years	12	127
Total	137	252

The Authority has entered into an agreement for a lease of land to operate a car park at Market Place, Bromsgrove which became operational in 2017/18. The future minimum lease payments due under operating leases in future years are set out below:

	2022/23 £000	2021/22 £000
Minimum lease rentals payable:		
No later than 1 year	63	63
Later than 1 year and no later than 5 years	222	234
Later than 5 years	0	40
Total	285	337

The Authority as a Lessor – Finance Leases

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

Lease rentals receivable is apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of the rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

The Council has no finance leases.

Operating Leases

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E5. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by the International Financial Reporting Standards (IFRS).

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

Summary of Significant Accounting Policies

i) Revenue and Expenditure Recognition

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

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

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

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

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis

ii) Cash and Cash Equivalents

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

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

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

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

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

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

iv) Charges to Revenue for Non-Current Assets

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

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

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Accounting for Council Tax and NDR

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

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

vi) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

Discretionary Benefits

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

vii) Events after the Balance Sheet date

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

viii) Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

ix) Financial Instruments

Financial Liabilities

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

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

Financial assets are classified into the following categories:

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Financial Assets at Amortised Cost

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

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

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

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

Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account

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

Impairment

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

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevents default.

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

x) Government Grants and Contributions

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

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

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

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

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

xi) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)

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

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

xii) Intangible Assets

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

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

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii) Interests in Companies and Other Entities

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

xiv) Inventories and Long-Term Contracts

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

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

xv) Joint Operations

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

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

xvi) Materiality

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

xvii) Property, Plant and Equipment

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance against the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows and structure)
- Vehicles, plant and equipment – straight-line over the useful life, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xx) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

xxi) Shared Services

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner Authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within the Statement of Accounts.

When entering into share services, all capital assets that are purchased are financed by each Authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with business case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the business case and the Authority that gains the benefit is fully charged.

xxii) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £11.159m and a General Fund Balance of £13.159m.

The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements, each participant in the arrangement accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cashflows.

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material, the Group position is disclosed on the face of the applicable Core

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Statements. Further information is disclosed in **Note G1**. All other notes relate to the Council rather than the Group.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20 May 2020, which ruled that Automated Teller Machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries, where there have been reductions in the rateable value from the 2017 rating list. The level of the 2017 rating list provision for appeals has added a further £3.074m. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note D5**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 40%.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore, does not hold any investment properties,

E8. Accounting Standards not yet adopted.

The Code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There is an amendment to IFRS 16 Leases. This standard was due to be implemented on 1 April 2020, but this has now been delayed until 1 April 2025.

IFRS 16 Leases – the amendment requires Local Authorities who are lessees to recognise leases on the Balance Sheet as right of use assets with a corresponding lease liability. As yet, the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

E9. Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

E10. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Council have considered the materiality of the transactions from both the Council's and the related parties perspective.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

(e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B9**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2022/23 is shown in **Note B7**. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

Many Bromsgrove District Councillors are also County Councillors and / or elected members of the Parish Council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has entered a contract with BDHT for the provision of homelessness services and is also part of the Worcestershire wide choice-based lettings housing allocations service. Bromsgrove paid to Bromsgrove District Housing Trust £0.304m for the homelessness service.

In 2022/23, all members have completed a register of members' disclosable pecuniary interest.

Officers

There were no disclosures made by officers in 2022/23,

Entities Controlled or Significantly Influenced by the Authority

As part of the shared services with Redditch Borough Council, Bromsgrove paid £3.717m (£3.912m in 2021/22) for Redditch hosted services and received £6.917m (£7.022m in 2021/22) for services hosted at Bromsgrove.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.255m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £0.163m from Wyre Forest.

For the provision of Car Park services, the Council paid £0.212m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.064m to Worcester City Council.

As host of Worcestershire Regulatory Shared Service, Bromsgrove has received £0.418m from Malvern Hills District Council, £0.493m from Wyre Forest District Council, £0.759m from Wychavon District Council, £0.540m from Worcester City Council and £0.572m from Redditch Borough Council.

As at 31 March 2023, the following amounts were owed to the partners of shared services:

	22-23	21-22
	£000	£000
Worcester City Council	131	149
Redditch Borough Council	104	166
Wychavon District Council	152	178
Wyre Forest District Council	152	133
Malvern Hills District Council	90	102

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The following amounts were owed to Bromsgrove for hosting the shared services:

	22-23	21-22
	£000	£000
Worcester City Council	92	144
Redditch Borough Council	0	0
Wychavon District Council	72	27
Wyre Forest District Council	15	53
Malvern Hills District Council	24	23

These balances have been included within the relevant debtor and creditor balances.

From June 2016, Worcestershire County Council withdrew from Worcester Regulatory Services.

E11. Events after the Balance Sheet date

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rates assets and liabilities in 2022/23 was £99,905.96.

E12. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent assets as at 31 March 2023.

E13. Contingent Liabilities

A contingent liability is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Council's control.

There are no contingent liabilities as at 31 March 2023.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F1. Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2022/23 £000	2021/22 £000
Cash and Bank balances	421	2,473
Short Term Investments	1,250	0
Total	1,671	2,473

F2. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2022/23 £000	2021/22 £000
Depreciation	2,817	2,413
Amortisation	90	0
(Increase)/Decrease in Debtors	3,514	4,857
Increase/(Decrease) in Creditors	2,570	(10,328)
Increase in Inventories	120	280
Movement in pension liability	0	60
Other items charged to the net surplus or deficit on provision of services	6,761	8,415
Total	15,872	5,698

F3. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing for financing activities.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	0	0
Any other items	0	0
Total	0	0

F4. Investing Activities

	2022/23 £000	2021/22 £000
Purchase of PP&E, investment property and intangible assets	(8,135)	(6,796)
Proceeds from the sale of PP&E, investment property and intangible assets	(772)	0
Other Receipts from Investing Activities	0	0
Net Cash flows from Investing Activities	(8,907)	(6,796)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F5. Financing Activities

	2022/23 £000	2021/22 £000
Cash Receipts from Short and Long Term Borrowing	26,000	23,500
Other Receipts from Financing Activities	0	0
Repayment of Short and Long Term Borrowing	(26,000)	(23,500)
Other payments for Financing Activities	0	0
Net Cash flows from Financing Activities	0	0

GROUP ACCOUNTS

GROUP ACCOUNTS

G1. Nature of the relationship between the Council and Bromsgrove Arts Development Trust

The Bromsgrove Arts Development Trust was established on 23 April by Trust Deed. The Trustees have been registered with the Official Custodian of Charities. These include members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of six of the eight Trustees. As such, this gives them the ability to influence decisions made by this Board. The Council supplies no funding for the Trust, which solely holds the building known as the Artrix. It is not responsible for service provision and any assets or liabilities arising from there. As such, the figures used for consolidation are based on the property valuation which has been conducted by an independent valuation service provided by Bruton Knowles.

The Arts Development Trust asset shown in the Group Balance Sheet (PPE) is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale, the Council has no right to a share of the proceeds, nor can the Council determine whether sale of this property should be undertaken.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure in the year. The only entry for the Trust would be the depreciation calculated for the building.

There is no goodwill as the group did not arise through a purchase.

The annual income is below the level for which group accounts are required to be produced.

COLLECTION FUND

COLLECTION FUND

H1. The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligations for billing Authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2023/24 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2022/23 can be spread over three years from 2023/24 to 2025/26.

2021/22			Collection Fund	2022/23		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(72,736)	(72,736)	Council Tax Receivable		(76,051)	(76,051)
(21,056)		(21,056)	Business Rates Receivable	(24,054)		(24,054)
(21,056)	(72,736)	(93,792)	Total amounts to be credited	(24,054)	(76,051)	(100,105)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(4,896)		(4,896)	Central Government	(1,895)		(1,895)
(4,378)	(36)	(4,414)	Bromsgrove District Council	(1,516)	172	(1,344)
721	(184)	537	Worcestershire County Council	(341)	992	651
(86)	(12)	(98)	Hereford and Worcestershire Fire and Rescue	(38)	66	28
	(32)	(32)	Police and Crime Commissioner for West Mercia		177	177
			Precepts, demands and shares			0
12,858		12,858	Central Government	12,155		12,155
10,287	9,717	20,004	Bromsgrove District Council	9,724	10,000	19,724
2,314	49,972	52,286	Worcestershire County Council	2,188	52,395	54,583
257	3,260	3,517	Hereford and Worcestershire Fire and Rescue	243	3,353	3,596
	8,932	8,932	Police and Crime Commissioner for West Mercia		9,365	9,365
			Charges to Collection Fund			0
(5)	(3)	(8)	Write-offs of uncollectable amounts		0	0
10	156	166	Increase allowance for impairment	345	776	1,121
(2,290)		(2,290)	Increase/(decrease) in allowance for appeals	2,210		2,210
44		44	Transitional Protection Payments Payable	63		63
			Payments to General Fund			0
187		187	Payment to General Fund for allowable collection costs for non-domestic rates and disregarded	134		134
15,023	71,771	86,795	Total amounts to be debited	23,272	77,296	100,568
(6,033)	(965)	(6,998)	(Surplus) / deficit arising during the year	(781)	1,245	464
10,231	479	10,710	(Surplus)/deficit b/f at 1 April	4,200	(484)	3,716
4,200	(485)	3,715	(Surplus) / deficit c/f as 31 March	3,419	761	4,180

COLLECTION FUND

H2. Council Tax Income

The amount of Council tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council tax payable for each band is established as follows (the actual amount payable for each property is also subject to discounts where applicable):

2022/23

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				5.00	11.78	5/9	6.54	141.19
A	Up to & including	40,000		3,721.90	4,552.01	6/9	3,034.67	169.43
B		40,001	- 52,000	7,314.80	9,338.79	7/9	7,263.50	197.67
C		52,001	- 68,000	9,059.70	6,782.78	8/9	6,029.14	225.91
D		68,001	- 88,000	7,959.60	4,074.76	9/9	4,074.76	254.15
E		88,001	- 120,000	7,042.60	3,190.35	11/9	3,899.32	310.63
F		120,001	- 160,000	3,736.20	1,199.42	13/9	1,732.50	367.11
G		160,001	- 320,000	2,864.70	442.99	15/9	738.32	423.58
H	More Than		320,001	340.00	18.01	18/9	36.02	508.30

Adjustment 0.98

Council tax base 26,278.47

2021/22

Band	Valuation band limits	Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
				5.00	11.78	5/9	6.54	141.19
A	Up to & including	40,000		3,721.90	4,552.01	6/9	3,034.67	169.43
B		40,001	- 52,000	7,314.80	9,338.79	7/9	7,263.50	197.67
C		52,001	- 68,000	9,059.70	6,782.78	8/9	6,029.14	225.91
D		68,001	- 88,000	7,959.60	4,074.76	9/9	4,074.76	254.15
E		88,001	- 120,000	7,042.60	3,190.35	11/9	3,899.32	310.63
F		120,001	- 160,000	3,736.20	1,199.42	13/9	1,732.50	367.11
G		160,001	- 320,000	2,864.70	442.99	15/9	738.32	423.58
H	More Than		320,001	340.00	18.01	18/9	36.02	508.30

Adjustment 0.98

Council tax base 26,278.47

COLLECTION FUND

The breakdown above is for Bromsgrove District Council only. Below is the total payable for Band D equivalent for all preceptors:

	2022/23	2021/22
	£	£
Bromsgrove District Council	238.00	233.00
Worcestershire County Council	1,396.78	1,343.83
Police and Crime Commissioner for West Mercia	249.66	240.19
Hereford and Worcestershire Fire and Rescue	89.40	87.68
Total Council Tax for non parish areas	1,973.84	1,904.70
Parish Councils (Average)	28.57	28.30
Average Council Tax for the District in parish areas	2,002.41	1,933.00

H3. Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage, and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2022/23, the rate poundage was 51.2p (no change from 2021/22). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at **Note B6**.

The total rateable value at 31 March 2023 was £70,497,652 (2021/22 £68,057,817).

For 2022/23, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. Bromsgrove District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromsgrove District Council's policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompass a number of elements.

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.

ANNUAL GOVERNANCE STATEMENT

- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Financial management arrangements have been in place during the year through regular quarterly combined finance and performance monitoring reports, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. However, the new enterprise system which was implemented on 8 February 2021 has caused issues which have resulted in S24 Recommendations to be issued by the Council's External Auditors for non-delivery of Statement of Accounts. A financial recovery process is in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Standards and Performance Committee.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2022/23.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Bromsgrove has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Cabinet, Overview and Scrutiny Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.

Throughout 2022/23, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

ANNUAL GOVERNANCE STATEMENT

Audit, Governance and Standards Committee

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient, and effective use of resources.

During 2022/23 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement, projects, grants, and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits' work programme helps to assure Audit, Standards and Governance Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the RBC governance process

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Standards and Governance Committee for further scrutiny.

In relation to the reviews that have been undertaken, all have been finalised. There were two Audits returned with an assurance level of 'limited,' Debtors and the Mail Ledger which reflects the documented issues linked to the implementation and rectification of the Council's new financial system.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that the Council in November 2023 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 to 2022/23 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. In respect of Governance Arrangements relating to the 2021/22 financial year:

- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding.
- Of the 5 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there were 10 in the report).
- There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.

ANNUAL GOVERNANCE STATEMENT

- Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report

The 21/22 and 22/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:

- The 2020/21 to 2022/23 Accounts must be completed and Audited by the date of the next Audit report to ensure there is full confidence in the Council's finances.
- The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities
- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members and Stakeholders is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, put out for public consultation, and the requirement for a final "audit report" to have been received, this set of accounts is the final stage in this process. 2020/21 and 2021/22 Accounts have been made public and put out to public consultation in early October 2024.
- The Council has put in place a Financial Recovery process to get accounts up to date. Following December 2024, this will be reviewed. Since Q1 2023 the Audit Standards and Governance Committee have met six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council's accounts are up to date.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions. Wider consultation will be delivered in Q3 2024 for the 2025/26 budget.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment. This regime also includes how formal project monitoring is delivered.
- The Workforce Strategy is moving forward with monthly meetings reviewing the action plan and delivery against it.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 71.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

ANNUAL GOVERNANCE STATEMENT

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed

Date

Signed

Date

Leader of the Council & Chief Executive on behalf of Bromsgrove District Council

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Head of Internal Audit Opinion

Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2022/23 was a very challenging year regarding the control environment in certain areas of the Council. Remote working has continued since the pandemic. Turnover of staff for the Authority has remained high which has created its own challenges within certain Services including Finance. The loss of staff and experience impacted the Finance Team along with the continuing development of the new financial system. Coupled with a S24 Notice being given by External Audit it has resulted in a very challenging control environment. Potential risk in the core financial areas has remained due to the continuing development of a cash receipting module but there has been an improving position. Appropriate and proportionate remote access to files and systems remained in place and there is an understanding of the cyber risks that could impact the Authority. Risk Management has been relaunched and is starting to become more widely discussed and managed in the organisation and reported to the Audit, Governance and Standards Committee on a regular basis.

Overall Governance Conclusion

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2022/23 managed the principal risks in several areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2022/23 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation introduced some key risks into the financial areas of the Council. These are ongoing at present until the cash receipting module is fully developed and fit for purpose with reconciliations linked to this fully up to date. Development has continued during 2022/23 and the organisation is in a better position than it was.

Audit reviews continue to highlight risk in certain financial areas, e.g. budget monitoring, reconciliations. Limited assurance was reported against Debtors and Main Ledger reflecting the ongoing risk that exists. Overall progress has been made to address the issues the new system introduced and 2022/23 has seen an improving position which is set to last as the cash receipting module continues through its development and testing cycle.

Risk Management Conclusion

The Head of Internal Audit can confirm the further development of the formal risk management system has progressed over the past twelve months under the direction of the S151 Office with a view to achieving a better embedded approach for the future. This area had been relaunched on several occasions in recent years and has been a topic for corporate review for several years but over the last twelve months there has been more traction and improved reporting. Due to the development and reporting in this area during the past twelve months Audit have reported on progress. There has also been scrutiny from the Strategic Management Team and Committee. Further internal audit work is planned in 2023/24. Risk management has been present in some form in several Services, but it was not coordinated to allow for a joined-up view of risk from a corporate perspective. This is starting to change but there is further work to be done. There continues to be buy in from the whole of the management team and continuing progress will be monitored before Committee.

INDEPENDENT AUDITORS' REPORT**Audit Opinion**

The internal audit of Bromsgrove District Council's systems and operations during 2022/23 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 21 July 2022 and any subsequent revisions.

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. During 2022/23 the shared service conformed to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan for 2022/23 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement, projects, grants, and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The 2022/23 internal audit plan was revised due to changing circumstances and restrictions regarding resources. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 15 reviews were taken into consideration. Areas which returned a level of 'limited' assurance included debtors and main ledger.

To mitigate risk a clear management action plan was formulated to address all issues identified across the plan. Comprehensive management action plans were agreed and the s151 Officer informed. There remains a clear understanding that further work is required to embed risk management throughout the organisation and to further development the cash receipting element of the financial system. This is set to continue under the direction of the s151 Officer.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. The financial system and budget monitoring was a key theme identified specifically in some of the returns which will be picked up directly with management. No areas of significant risk have been identified in addition to those already identified during the year.

Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

There has been a wide spectrum of assurance applied to the reviewed areas during 2022/23. The implementation of the new finance system created risk hotspots which are being addressed. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the areas of the system where controls are in place and are operating effectively. Critical friend reviews are used to assist a Service area to move forward and provide support, guidance and an independent view when there is transformation happening. It is difficult to draw a comparison with the previous year results and corporate position as the reviews are not like for like apart from the core financial areas. An improvement has been seen for creditors but there remain challenges in other areas as already reported.

INDEPENDENT AUDITORS' REPORT

WASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
June 2023

GLOSSARY

GLOSSARY

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk.

They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock).
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g., a community centre, or intangible, e.g., computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities, and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, based on an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

GLOSSARY

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average Council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Authority, i.e., it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

GLOSSARY

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

GLOSSARY

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

GLOSSARY

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used, or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period because of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or highly likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NDR purposes.

GLOSSARY

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital.

Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.

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