

Bromsgrove District Council

DRAFT Statement of Accounts for the year ended 31 March 2021



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Bromsgrove District Council

DRAFT Statement of Accounts for the year ended 31 March 2021

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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 NonDomestic 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 2019/20 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to 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 % of self-employed and business start-ups in England. It has isolated areas of deprivation, higher median income levels.

Elections are held once every 4 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 serving both Councils. We 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 need 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 2018-2020



Strategic Purposes

Strategic purpose: Help me run a successful business

What matters:

- Encourage local business and inward investment
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Improve connectivity within Bromsgrove (Digital and Transport)
- Invest in our local workforce by supporting training and apprenticeships

Strategic purpose: Help me to be financially independent

What matters:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt
- Support reductions in winter deaths and fuel poverty
- Support the provision of affordable housing in the District to meet the needs of the community

Strategic purpose: Help me to live my life independently

What matters:

- Help and support the vulnerable
- Promote independence and reduce social isolation
- Help people to be fit and well
- Strengthening and supporting families and individuals

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

What matters:

- Support the development of appropriate and affordable housing in the district
- Assist in making the best of all housing across the district
- Prevent and respond to homelessness

Strategic purpose: Keep my place safe and looking good

What matters:

- Help support and create communities where people feel safe
- Look after our district to provide clean and tidy streets and open spaces
- Protect and enhance the environment spaces

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

What matters:

- Provide a leisure, cultural and arts programme for the whole district
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Help people to be fit and well and reduce social isolation

National Position

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

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

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

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

Organisational Performance

In response to the pandemic, 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.

Bromsgrove Council staff, support for the NHS response primarily through Worcester Regulatory Services, and much needed help for struggling businesses. The Council procured additional Personal Protective Equipment (PPE) to enable key staff to continue to deliver services safely. All these initiatives required additional investment and were funded during 2020-2021 from the Covid-19 grants received from Central Government. These direct Grants to the Council amounted to £1.255m. In addition, £1.152m was also received in terms of support for lost sales fees and charges.

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

2021; including mandatory and discretionary business grants, self-isolation payments for individuals required to isolate. The council re-prioritised its workforce, re-deploying staff where required to ensure that these essential grants could be distributed in a timely manner. Systems were continually reviewed and improved, streamlining wherever possible to ensure these grants reached businesses as quickly as possible. Each scheme adopted has been subject to audit and a reconciliation process that ensure 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). The table below sets out these additional grants distributed during 2020/21:

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	1,599,066.27
Christmas Support Payment for Wet Led Pubs	33	33,000
Closed Business Lockdown Payment	558	2,627,000
LRSG (Closed)	151	110,585.58
LRSG (Closed) Addendum	560	877,946
LRSG (Closed) Addendum 5th Jan Onwards	566	2,723,106
LRSG (Open)	136	185,338.74
LRSG (Sector)	1	2,714.25

The Test and Trace figures for 20/21 were

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

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



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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, and
- Problem solving across all sectors.

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

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

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

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:

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, utilised staff from across Environmental Services to keep waste services running in the face of significant sickness absence and arranged funding for more HGV drivers to be trained to build resilience in the service.
- The arrangements with our commercial waste customers were flexed to reflect how they were having to deal with Covid.
- Considering the importance of recreation space during the lockdown periods, we changed cleansing maintenance to reflect significant changes in behaviour and increase usage of these assets. This included the installation of public sanitisers across the District.
- The Stores team procured PPE and sanitiser to keep the authority operating when other areas were unable to locate supplies.

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

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

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 13 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

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 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 3 years. This has been exacerbated in 2020/21 by the C-19 pandemic, where we have seen significant drops of income and one-off Government Grant Funding to ensure in year support for the most vulnerable in our community, both individuals and businesses.

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

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

The main source of income continues to be Council tax. In his November 2022 announcement, the Chancellor is to allow Councils to increase Council Tax 3% or £5 per annum without a referendum. The medium-term financial plan assumes a further 2% increase per

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 £1,099k in 2022/23 to £1,472k in 2023/24 to avoid using general reserves to balance the budget.

	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, Standards and Governance Committee.

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page xx. The objective is to demonstrate to council tax payers 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 presented more fully in the Comprehensive Income and Expenditure Statement.

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

	Original Budget	Revised Budget	Outturn	Variance
	£	£	£	£
Business Transformation and Organisational Development	1,707,974	1,562,447	1,486,245	(76,202)
Community and Housing GF Services	1,076,024	805,301	751,170	(54,131)
Corporate Services	1,585,088	1,078,083	1,183,712	105,629
Environmental Services	2,780,695	2,734,139	3,423,944	689,805
Financial and Customer Services	1,340,726	1,253,385	1,214,731	(38,654)
Legal, Democratic and Property Services	1,458,600	1,493,004	1,377,080	(115,924)
Planning, Regeneration and Leisure Services	1,655,685	1,349,209	1,395,386	46,177
Regulatory Client	207,208	194,818	210,947	16,128
Worcester Regulatory Services	-	-	(0)	(0)
Corporate Financing	(11,812,000)	(10,470,386)	(11,093,217)	(622,831)
Total	0	-	(50,003)	(50,003)

The above table shows that the revenue outturn position was underspent by £50,003 in total.

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 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.

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

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

Business Transformation & Organisational Development (Total underspend of £76k)

£75k underspend on training and organisational development. Training and organisational development have 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 (Total underspend £54k)

£40k 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.

Corporate Services (Total overspend of £105k)

£62k 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 (Total overspend of £690k)

£339k overspend on waste management. This was due to some additional commercial Waste Disposal Costs. A Business case has been put forward to address this going forwards in the budget. There are 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.

£101k underspend on tree management. This was due to vacant posts. It should be noted that this area is currently going through a service review.

£512k 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 scheme).

Financial & Customer Services (Total underspend of £39k)

£41k 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 (Total underspend of £115k)

£39k saving in members and democratic support due to vacancies in the team.

£70k 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 (Total overspend of £46k)

Development control had an overspend of £270k. This was primarily driven by a £200k 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 as explained below.

Corporate Financing (underspend of £622k)

It is clear that 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 as a result of Covid

In recognition of this negative impact on the Council's resources (and particularly for district councils reduced income levels achievable for car parks and Leisure), the council was awarded £1.255 million 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 £476k of expenditure was applied from this General Covid-19 Grant in the 20/21 year, £356k 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 Councils General Fund position increasing from an opening position of £4.452m by the underspend position of £50k to a closing position of £4.502m

Earmarked Reserves have increased from an opening position of £6.269m to a closing position of £13.289m. Main changes are

- £1.299m increase in Financial Reserves – mainly for revaluation appeals
- £0.766m in general C-19 Grants
- £4,641 of Collection Fund C-19 Grant – to offset 2020/21 non collection in future years

Grant Income

The Council received £15.355m of Grant Income during the year, up from £13.221 the previous year. The significant changes were:

MHCLG C-19 Emergency Grant - £1.242m

MHCLG C-19 Sales Fees and Charges Grant - £1.517m.

The largest grant continues to be the Housing Benefit Subsidy Grant at £11.679m.

Capital

The management accounts reported the following capital outturn:-

The outturn report sets out that expenditure was £3.361m against Capital budgets of £4.977m approved for the year. This is £1.616m underspend. The MTFP already requested £6.219 be slipped to future years. This total was increased in February 2022 to £8.574m as part of the draft Outturn Report.

Bromsgrove District Council

Financial Statements for the year ended 31 March 2021

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 Interim Director of Finance;

The Interim Director of Finance 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. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

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

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

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

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

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

The Interim Director of Finance has also:

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

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

SIGNED Date:

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2021 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 41.
- (b) in my opinion, the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....
Chief Financial Officer

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on

.....
Chairman

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 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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan 2020-2021 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 2019 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
- The Council has a dedicated partnership manager who liaises with community groups and other partners.
- 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.
- 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, on line 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, this was implemented on the 8th February 2021. Existing arrangements were in place on the legacy system through to Quarter 3 of the 2020/21 financial year.

- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2020/21.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.

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 also 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.

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

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

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

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

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

Internal Audits work programme helps to assure Audit, Standards and Governance Committee that the framework

- 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 Interim Director of Finance, before As a result of the Covid-19 pandemic the Council quickly put in place:

Significant Governance Issues

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

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Delivery of the 2019/20 Audit Opinion significantly later than planned and inconsistent levels of working papers.	Assignment of staff to specific working papers with a consistent template to follow, plus management of a full closure timetable to deliver the Accounts to statutory deadlines. This is part of the financial recovery process.	Accounts were not delivered to statutory timescales in 2020/21 due to implementation of a new financial system and loss of key financial staff. Following recruitment of new finance staff during the summer of 2022 draft 2020/21 Accounts will be approved by Audit Committee in December 2022. The 2021/22 Account process will start in December 2022 and so will also be late. This issue will remain until 2022/23 accounts are submitted.
The implementation of a new Finance system on the 8th February 2021.	Ensure data migration is fully documented and signed off, that staff are fully trained to use and support the system to deliver financial information to the required standards. Cash Receipting is not working as expected and so rectification with software providers Tech1 is required to ensure accounts for 2020/21 and subsequent years can be progressed. This is part of the financial recovery process	Financial recovery process highlighted the critical path for recovery and rectification of the Cash Receipting issue, which went live over the weekend of the 5/6 November 2022. Opening balances have been back engineered and await audit signoff. Training did take place with business on key AP/AR processes but still require full embedding
The loss of significant numbers of finance staff during 2021	Recruitment campaign planned for Fall of 2021.	Recruitment campaign was not successful and only 3 staff onboarded. Subsequent recruitment campaign undertaken in Spring on 2022 where 10 staff have been onboarded by August.
Delivery of Services during The following Governance recommendations where highlighted in the S24 Report and Interim Auditors submitted on the 31st October 2022	Ensure processes are in place to keep staff and customers safe while	Revised arrangements for Annual Report 2020/21

Area of Assurance	Assurance Gap/Proposal to Mitigate	Progress
Section 24 issued due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance. The non-delivery of the 2020/21 financial statements is a key reason for the S24 Recommendation	Full mitigation steps set out in the S24 Report. Key items include rectification of the Cash Receipting Issue and delivery of the 2020/21 accounts. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.	Cash Receipting issues rectified over the 5th/6th November. 2022/21 Accounts being drafted for presentation to Audit, Standards and Governance Committee on the 14 December 2022
The Council needs to ensure that the Medium Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.	Full mitigation steps set out in the Interim Internal Audit Report. Full process set out in the finance recovery process which was presented to Cabinet in October 2022.	MTFP is being produced in 2 Tranches in 2023/24. First Tranche, with full backing papers, went to Executive on the 25th October. Second Tranche will take place following the Local Government Settlement in January 2023 when all variables are understood. Existing 2022/23 unallocated savings allocated as part of the Quarter 2 Finance and Performance monitoring

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

The Heads of Service have actions in place to address any recommendations from Audit reviews and all assessed as being either of high or medium importance have been reported to the Audit Standards and Governance Committee. The Internal Audit team will continue to review the actions as they are implemented.

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

Signed

Date :

Signed

Date :

Leader of the Council & Chief Executive on behalf of Bromsgrove District Council.

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.

1. Internal Audit Opinion

- 1.1 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.
- 1.2 Due to the global COVID-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move from traditional office-based working to remote working. This created many challenges with a move to an almost total reliance on back-office ICT solutions for those staff having to work from home. Appropriate and proportionate remote access to files and systems was a necessity to ensure the services could continue to be delivered during the national lockdowns experienced during 2020/21.

Overall Governance Conclusion

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

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

Audit Opinion

- 1.5 The internal audit of 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
- 1.6 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.7 The Internal Audit Plan for 2020/2021 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:
- A number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, compliments and complaints, safeguarding, planning applications, bereavement services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.8 The 2020/21 internal audit plan was heavily revised due to the COVID-19 global pandemic. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 1.9 At the time of writing this opinion in relation to the 12 reviews undertaken, all have been finalised. An area which returned an assurance level of 'no' assurance was risk assurance.

- 1.10 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.
- 1.11 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including a lack of awareness regarding a handbook and a requirement to update antifraud and corruption procedures. No areas of significant risk have been identified in addition to those already identified in the audit work completed.
- 1.12 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.
- 1.13 10 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.
- 1.14 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

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

Independent Auditor's Report to the member of Bromsgrove District Council

The Core Financial Statements



Bromsgrove District Council

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

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority	Total Authority Reserves	Authority Share of Subsidiary	Total Authority Reserves Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	(5,699)	0	(5,699)	0	(5,699)	(3,500)	(9,199)	(9,199)	0	(9,199)
Adjustments between accounting basis & funding basis under regulations (Note 9)	12,930	0	12,930	(531)	12,399	(9,209)	3,190	3,190	0	3,190
Net Increase/Decrease before Transfers to Earmarked Reserves	7,231	0	7,231	(531)	6,700	(12,709)	(6,009)	(6,009)	0	(6,009)
Transfers to or from earmarked reserves	(7,020)	7,020	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	211	7,020	7,231	(531)	6,700	(12,709)	(6,009)	(6,009)	0	(6,009)
Balance Sheet as at 31 March 2021	4,613	13,289	17,902	81	17,983	(37,064)	(19,081)	(19,081)	1,009	(18,072)

Comprehensive Income and Expenditure Statement for the year ended 31 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.

Notes

		2020/21			2019/20		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority					7,308	(3,063)	4,245
Help me be financially independent					13,609	(13,359)	250
Help me find somewhere to live in my locality					1,391	(541)	850
Help me run a successful business					1,007	(1,466)	(459)
Help me to live my life independently					1,196	(392)	804
Keep my place safe and looking good					15,674	(8,050)	7,624
Provide good things for me to see do and visit					5,430	(213)	5,217
Business Transformation and Organisational Development		2,788	(1,073)	1,715			
Community and Housing GF Services		2,870	(1,136)	1,734			
Corporate Services		2,083	(1,694)	389			
Environmental Services		12,165	(6,813)	5,352			
Financial and Customer Services		11,695	(11,427)	268			
Legal, Democratic and Property Services		3,279	(1,368)	1,911			
Planning, Regeneration and Leisure Services		3,735	(1,845)	1,890			
Regulatory Client		483	(273)	210			
Cost of Services		39,098	(25,629)	13,469	45,615	(27,084)	18,531
Other Operating Expenditure	11	952	0	952	844	0	844
Financing and Investment Income and Expenditure	12	1,095	(4)	1,091	1,088	(15)	1,073
Taxation and Non-Specific Grant Income and Expenditure	13	8,263	(18,076)	(9,813)	2	(17,049)	(17,047)
(Surplus) or Deficit on Provision of Services				5,699			3,401
Surplus or deficit on revaluation of Property, Plant and Equipment	14			1,025			(2,276)
Remeasurement of the net defined benefit liability/(asset)	37			2,475			(395)
Other Comprehensive Income and Expenditure				3,500			(2,671)
Total Comprehensive Income and Expenditure				9,199			730

Bromsgrove District Council

Balance Sheet as at 31 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 £000	31st March 2020 £000
Property, Plant & Equipment	14/14a	40,975	42,535
Intangible Assets	16	690	416
Assets held for sale	21	0	0
Long Term Debtors	19	330	330
Long Term Assets		41,995	43,281
Short Term Investments	17	0	2,000
Inventories	18	236	229
Short Term Debtors	19	9,458	7,558
Cash and Cash Equivalents	20	1,924	1,393
Assets held for sale	21	0	0
Current Assets		11,618	11,180
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,500)	(4,772)
Short Term Creditors	22	(6,205)	(12,682)
Provisions	23	(1,455)	(189)
Capital Grants received in advance	33	0	0
Revenue Grants received in advance	33	(6,197)	(17)
Current Liabilities		(18,357)	(17,660)
Other Long Term Liabilities	37	(52,608)	(48,414)
Donated Assets Account	41	0	0
Capital Grants received in advance	33	(1,729)	(1,442)
Revenue Grants received in advance	33	0	(17)
Long Term Liabilities		(54,337)	(49,873)
Net Liabilities		(19,081)	(13,072)
Usable reserves	24	17,983	11,283
Unusable Reserves	25	(37,064)	(24,355)
Total Reserves		(19,081)	(13,072)

Bromsgrove District Council

Cash Flow Statement at 31 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		(5,699)	(3,401)
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	11,588	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		5,889	3,509
Investing Activities	27	1,271	(1,827)
Financing Activities	28	(6,629)	(1,975)
Net increase or (decrease) in cash and cash equivalents		531	(293)
Cash and cash equivalents at the beginning of the reporting period		1,393	1,687
Cash and cash equivalents at the end of the reporting period		1,924	1,394

Notes to the Core Financial Statements



Bromsgrove District Council

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

Note 1 Accounting Policies

General Principles

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

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS).

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

Summary of Significant Accounting Policies

1) Revenue and Expenditure Recognition

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

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

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

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

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
 - Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
 - Accruals posted based on orders that have been goods receipted on the E-Financials and Tech1 systems.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

2) Cash and Cash Equivalents

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

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

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

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

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.

Accounting for Council Tax and NDR

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

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

6) Employee Benefits Benefits Payable During Employment

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

Termination benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (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 as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- **Remeasurements comprising:**
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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 takes into account 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 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 for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial Assets

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

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

Financial assets are classified into the following categories:

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

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

- **Financial Assets at Amortised Cost**

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at

- **Impairment**

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

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

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

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

10) Government Grants and Contributions

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

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

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

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

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

11) Heritage Assets

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 18.

12) Intangible Assets

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

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

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

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

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

13) Interests in Companies and Other Entities

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 on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15) Joint Operations

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

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

16) Leases

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

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

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

The Authority as Lessee

Finance Leases

- 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 as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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.

Operating Leases

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

17) **Materiality**

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

18) **Overheads and Support Services**

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

19) **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- 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
- In April 2017 the Council made an advanced payment to Worcestershire
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21) Reserves

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

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

22) Revenue Expenditure Funded from Capital under Statute

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

23) Shared Services

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 on a monthly basis 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 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.

Bromsgrove District Council

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

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

The code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. 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 2022.

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

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

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £13,289k and General Fund Balances of £4,402k.

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

The Council has determined that a Group Accounting relationship exists with 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 20/21 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. Further information on these appeals is provided in note 23.

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

Bromsgrove District Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

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

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

The items in the Authority's Balance Sheet at 31 March 2020 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 £543k if the life of all the depreciated assets reduced by one year. The majority of the change (£440k) is on vehicles, plant and equipment (VPE) where the assets already have a short life and an one year reduction is significant. Past experience is that VPE outlives the useful life.
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.

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 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

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

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

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

Bromsgrove District Council

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

Note 5 Material Items of Income and Expense

The 2019/20 Accounts had several material items which are summarised below:

- 1) Revaluations at the Bromsgrove Sports and Leisure Centre building and Aston Road Depot building being £2.4m level than in 2018/19.
- 2) A change in Group Accounts due to a revaluation of the Atrix Building of £774k.
- 3) An Increase in the Pension Deficit by £2.2m
- 4) Becoming part of the 75% Worcestershire Business Rate Pool, with its associated requirements.
- 5) Significant increases in creditor levels by £7.5m and reductions in provisions by £1.3m
- 6) A reduction in the provision for Business Rate appeals by £1.3m

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

- 1) Distribution of £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.
- 5) The Council have received S31 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.
- 6) The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals.

Note 6 Events after the Reporting Period

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 that they are located within.

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

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

A provision of £180k has been included within the business rates appeals in 19/20 for the settlement of the ATM's case which will be settled in 20/21 and £167k 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.

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. In 2020/21 the share of assets and liabilities reverted back to 40%.

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 31 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	17,268	15,529
Other Expenditure	27,922	28,007
Support Service Recharges	0	0
Depreciation, Amortisation, Impairment	2,171	2,082
Interest Payments	1,095	1,135
Precepts and Levies	952	911
Gain on the Disposal of Assets	0	(67)
Income:	2020/21 £000	2019/20 £000
Fees, Charges and other service Income	(12,921)	(13,500)
Interest and Investment Income	(4)	(15)
Income for Council tax, non-domestic rates, district rate income	(13,068)	(13,735)
Government grants and Contributions	(17,716)	(16,533)
Internal Recharges	0	(354)
(Surplus) or Deficit on the Provision of Services	5,699	3,460

Bromsgrove District Council

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

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

Some rows in the table below will not be needed by all authorities and more are shown here than in the Guidance Notes. Author

2020/21	Usable Reserves				
	General Fund	Housing Revenue	Capital Receipts	Business Rates Supplement Revenue	Movement in Unusable Reserves
	Balance	Account	Reserve		
	£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)	1,810	0	0		(1,810)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0		0
Council tax and NDR (transfers to or from the Collection Fund)	5,636		0	0	(5,636)
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 in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,015	0	0		(3,015)
Items in suspense to be discussed with auditors	3,190				
Total Adjustments to Revenue Resources	13,651	0	0	0	(10,461)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0		0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(721)	0	0		721
Capital expenditure financed from revenue balances (transfer to 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	12,930	0	(531)	0	(9,209)

2019/20	Usable Reserves				
	General	Housing	Capital	Business Rates Supplement	Movement
	Fund Balance £000	Revenue Account £000	Receipts Reserve £000	Revenue Account £000	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
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0	0		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	0		(443)		443
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 31 MARCH 2021

Note 10 Movements 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 2019/20

	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	4,641	0	4,641
Total General Fund	5,777	3,749	(3,257)	6,269	7,554	(534)	13,289

Bromsgrove District Council

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

Note 11 Other Operating Expenditure

	2020/21	2019/20
	£000	£000
Parish council precepts	952	911
(Gains)/losses on the disposal of non current assets	0	(67)
Total	952	844

Note 12 Financing and Investment Income and Expenditure

	2020/21	2019/20
	£000	£000
Interest payable and similar charges	44	32
Net interest on the net defined benefit liability (asset)	1,051	1,103
Interest receivable and similar income	(4)	(15)
Total	1,091	1,120

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2020/21	2019/20
	£000	£000
Income		
Council Tax Income	(9,681)	(9,252)
Non Domestic Rates Income and Expenditure	(3,387)	(4,483)
Collection Fund Adjustment Account	5,636	0
Non-ring-fenced government grants	(1,785)	(1,695)
Grants to Parishes	0	0
Capital Grants and Contributions	(596)	(1,617)
Total	(9,813)	(17,047)

Bromsgrove District Council

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

Note 14 Property, Plant and Equipment

Current Year

Property, Plant & Equipment (PP&E)								
	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	723	1,025	16	269	190	0	2,223
Revaluation increases/decreases to Revaluation Reserve	(968)	(57)	0	0	0	0	0	(1,025)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,012)	208	0	0	0	0	0	(804)
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	23,009	18,371	1,408	1,101	461	2,501	53,775
Depreciation and Impairment								
Balance as at 1 April 2020	0	(453)	(9,912)	(481)	0	0	0	(10,846)
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	22,072	7,057	859	1,101	461	2,501	40,975
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 31 MARCH 2020

Note 14 a Comparative Year

	Property, Plant & Equipment (PP&E)							Total PP&E
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	
	£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
Adjustments between cost/value & depreciation/impairment								0
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	0	0	0	0	0	(450)	0
Reclassifications & Transfers	450	0	0	0	0	0	0	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 31 MARCH 2021

Transfers:		
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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 £107k (£135k 19/20) 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 7 years.

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

	2020/21 £000	2019/20 £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:		
· Purchases	381	237
Net carrying amount after additions	797	551
Derecognition Other		
Amortisation for the period	(107)	(135)
Net carrying amount at end of year	690	416
Comprising:		
· Gross carrying amounts	4,283	3,902
· Accumulated amortisation	(3,593)	(3,486)
Total	690	416

Bromsgrove District Council

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

Note 17 Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	1,924	1,393	0	0	1,924	1,393	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	0	2,000	9,458	7,109	9,458	9,109	0	0	330	330	330	330
Total Financial Assets	1,924	3,393	9,458	7,109	11,382	10,502	0	0	330	330	330	330
Non-Financial Assets	0	0	0	449	0	449	0	0	0	0	0	0
Total	1,924	3,393	9,458	7,558	11,382	10,951	0	0	330	330	330	330

	Current						Non-Current					
	Borrowings		Creditors		Total		Borrowings		Creditors		Total	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	(22)	(22)	0	0	(22)	(22)	0	0	0	0	0	0
Amortised Cost	(4,500)	(4,751)	(6,205)	(6,218)	(10,705)	(10,969)	0	0	0	0	0	0
Total Financial Liabilities	(4,522)	(4,773)	(6,205)	(6,218)	(10,727)	(10,991)	0	0	0	0	0	0
Non-Financial Liabilities	0	0		(6,464)	0	(6,464)	0	0	0	0	0	0
Total	(4,522)	(4,773)	(6,205)	(12,682)	(10,727)	(17,455)	0	0	0	0	0	0

Bromsgrove District Council

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

Note 18 Inventories

	Consumable Stores	
	2020/21	2019/20
	£000	£000
Balance outstanding at start of year	229	229
Purchases	7	615
Recognised as an expense in year	0	(614)
Written off balances	0	(1)
Balance outstanding at year end	236	229

	£000	£000	£000	£000
Revenue recognised:				

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	0	882
Other Local Authorities	0	0	1,140	3,641
Other entities and individuals	330	330	9,922	4,326
Less bad debt provision	0	0	(1,604)	(1,291)
Total	330	330	9,458	7,558

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	295	419
NNDR	415	8
Housing Benefit	815	803
Total	1,604	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	1,924	1,393	1,687
Bank Overdraft	0	0	0
Total	1,924	1,393	1,687

Bromsgrove District Council

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

Note 21 Assets Held for Sale

	Current	
	2020/21 £000	2019/20 £000
Balance outstanding at start of year	0	0
Additions	0	0
Transferred from Non-Current Assets during year:		
Assets declassified as held for sale:		
- Property Plant and Equipment	0	0
- Surplus Assets	0	0
Assets sold	0	0
Balance outstanding at year-end	0	0

Note 22 Creditors

	Short term creditors	
	2020/21 £000	2019/20 £000
Central Government bodies	0	(3,719)
Other local authorities	0	(6,760)
Other Entities and Individuals	(6,205)	(2,203)
Total	(6,205)	(12,682)

Bromsgrove District Council

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

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	(1,429)	167		(1,262)
Employee Benefits	(189)	0	0	0	(189)
Insurance Provision	0	(4)	0		(4)
Total	(189)	(1,433)	167	0	(1,455)

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
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 as a result 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 also 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 has been 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.

Bromsgrove District Council

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

Note 24 Usable Reserves

	31/03/2021 £000	31/03/2020 £000
General Fund Balances	4,613	4,402
Earmarked Reserves	13,289	6,269
Capital Receipts Reserve	81	612
Total Usable Reserves	17,983	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	(531)	(443)
Balance 31 March	81	612

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. All of the £612k held at 31st March 2020 are available to be used either for financing capital investment or funding projects qualifying for the flexible use.

Bromsgrove District Council

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

Note 25 Unusable Reserves

	31/03/2021	31/03/2020
	£000	£000
Revaluation Reserve	6,851	7,992
Capital Adjustment Account	14,068	15,715
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve (England and Wales)	0	0
Pensions Reserve	(54,545)	(50,260)
Collection Fund Adjustment Account	(5,080)	556
Accumulated Absences Account	(189)	(189)
Total Unusable Reserves	(38,895)	(26,186)

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2021	31/03/2020
	£000	£000
Balance at 1 April	7,992	5,832
Upward revaluation of assets	0	2,276
Surplus or deficit on revaluation of non-current assets not posted	(1,025)	2,276
Difference between fair value depreciation and historical cost depreciation	(116)	(116)
Revaluation balances on assets scrapped or disposed of	0	0
Amount written off to the Capital Adjustment Account	(116)	(116)
Derecognition of Property disposed of	0	0
Balance at 31 March	6,851	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 cost basis). The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

	31/03/2021		31/03/2020	
	£000	£000	£000	£000
Balance at 1 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	(694)		(3,529)	
Amortisation of Intangible Assets	(107)		(135)	
Revenue expenditure funded from capital under statute	(746)		(1,012)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0		0	
		(3,611)		(6,623)
Adjusting amounts written out of the Revaluation Reserve		116		116
Net written out amount of the cost of non current assets consumed in the year		(3,495)		(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	596		1,617	
Statutory provision for the financing of capital investment charged against the General Fund	721		664	
Capital expenditure charged against the General Fund	0		1,095	
		1,848		3,819
Reclassification from Fixed Assets to Long Term		0		0
Balance at 31 March		14,068		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 £000	31/03/2020 £000
Balance at 1 April	(50,260)	(48,332)
Remeasurements of the net defined benefit liability/(asset)	(2,475)	560
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,294)	(5,160)
Employers pensions contributions and direct payments to pensioners payable in the year	2,484	2,672
Balance at 31 March	(54,545)	(50,260)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of

	31/03/2021 £000	31/03/2020 £000
Balance at 1 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 31 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 31 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 1 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 31 March	(189)	(189)

Bromsgrove District Council

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

Note 26 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

	2020/21 £000	2019/20 £000
Interest Paid	(4)	(32)
Interest Received	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	694	3,529
Amortisation	107	135
(Increase)/Decrease in Debtors	(1,900)	(1,702)
Increase/(Decrease) in Creditors	6,477	1,330
Increase in Inventories	(6)	0
Movement in pension liability	2,022	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	2,130	(1,376)
Total	11,588	8,594

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	(711)	(2,126)
Purchase of Short Term Investments (not considered to be cash equivalents)	(353,300)	(90,000)
Other Payments for Investing Activities	(18)	(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)	355,300	88,000
Other Receipts from Investing Activities	0	2,243
Net Cash flows from Investing Activities	1,271	(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	(6,379)	6,775
Net Cash flows from Financing Activities	(6,629)	(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	27,500
Balance as at 31 March 2021	0	4,500

4,772

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 31 MARCH 2021

Note 30 Members' Allowances

During the year Members allowances, including Employer's costs totalled £212k (2018/19 £216k) 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 *	20	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	69	72

* Please note the fee variations agreed for External audit are in relation to previous year.

Bromsgrove District Council

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

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
Executive Director of Finance & Resources	2019/20	135,317	19,486	154,803	77,402	77,402
Head Of Legal & Democratic Services	2020/21	66,302	11,169	77,471	38,736	38,736
	2019/20	100,134	14,419	114,554	57,277	57,277
	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
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 amounts:

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

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

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
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

Bromsgrove District Council

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

Note 33 Grant Income

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

Credited to Taxation and Non-Specific Grant Income	2020/21 £000	2019/20 £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 £000	2019/20 £000
MHCLG Local Council Tax Support Admin Subsidy	0	(70)
MHCLG New Burdens	0	(20)
MHCLG NNDR Cost of Collection	(127)	(126)
MHCLG Homelessness Grants	(147)	(101)
MHCLG Planning Enforcement Grants	0	(50)
MHCLG COVID 19	0	(12)
Other MHCLG Grant Income	0	(32)
DWP Admin Grant	0	(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	0	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	(283)	
Total	(15,335)	(13,221)

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

	2020/21 £000	2019/20 £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 £000	2019/20 £000
DEFRA	(6)	(6)
Improvement and Development Agency - Productivity Expert	(6)	(6)
Other Grants	(5)	(5)
MHCLG S31 grant business rates reliefs	(6,180)	0
Total	(6,197)	(17)

Long-term Liabilities

Grants Received in Advance (Capital)	2020/21 £000	2019/20 £000
Disabled Facilities Grants	(869)	(552)
Section 106	(860)	(890)
Total	(1,729)	(1,442)

Bromsgrove District Council

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

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 into 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 BDHT £490k for the homelessness service.

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 £3,443k (2019/20: £3,198k) for Redditch hosted services and received £6,580k (2018/19: £6,107k) 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 £351k 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 £124k from Wyre Forest.

For the provision of Car Park Services, the Council paid £242k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £52k 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 £21k for this service.

As host of the Worcester Regulatory Shared Service Bromsgrove has received £450k from Malvern Hills District Council, £534k from Wyre Forest District Council, £805k from Wychavon District Council, £625k Worcester City Council, and £619k from Redditch Borough Council. This includes £273k of Covid Grant for Local Authority compliance and enforcement.

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

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

Bromsgrove District Council

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

Note 35 Capital Expenditure and Capital Financing

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

Bromsgrove District Council

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

Note 36 Leases

Operating and Finance Leases

Authority as Lessee:

- current	0	0
Minimum lease payments	0	0

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:

	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 foll

The minimum lease payments do not include rents that are contingent on events taking place after the lease such as adjustments following rent reviews. In 2015/16 £x contingent rents were receivable by the Authority

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:

- for the 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

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 have been credited to the CIES. The amounts received in 2020/21 were £63k and 2019/20 £62k.

Bromsgrove District Council

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

Note 37 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

- * The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- * Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- * The 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:

	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:</i>				
<i>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				
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.

In April 2017 the Council made an advance payment of pension contributions 2017/18 to 2019/20 to the Pension Fund in order to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31st March 2019 the Pension Liability is £2,151k lower than the Pension Reserve representing the advance payment relating 2019/20. An advance payment for the financial years 2020/21 to 2022/23 was made on 30th April 2020, after the financial year end, and therefore there is no adjustment required for the year ended 31st March 2020.

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

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

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	2019/20	2020/21	2019/20
	£000	£000	£000	£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	2,457	(1,157)	43	90
Past service cost	0	(801)	0	0
Losses/(gains) on curtailments where relevant	0	0	0	0
Benefits/transfers paid	3,051	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	
	31/03/2021	31/03/2020
	£000	£000
Cash and cash equivalents	0	450
Equities:		
UK Quoted	111	150
Overseas Quoted	28,539	18,086
PIV- UK Managed	12,659	9,417
PIV- UK Managed (overseas)	35,979	25,037
PIV- Overseas Managed	111	74
Sub-total equity	77,399	52,764
Bonds:		
Corporate	0	299
Overseas Corporate	0	3,438
Other Corporate	1,573	0
UK Government Fixed	0	5,381
Overseas Government	0	74
Sub-total bonds	1,573	9,192
Property:		
European Property Fund	1,793	1,719
UK Property Debt	359	523
Overseas Property Debt	269	374
UK Property Funds	1,882	1,569
Overseas REITs	89	150
Sub-total property	4,392	4,335
Sub-total private equity	0	0
Alternatives		
UK Infrastructure	3,653	3,662
European Infrastructure	2,597	2,018
US Infrastructure	1,948	1,345
UK Stock Options	325	523
Overseas Stock Options	81	(448)
Corporate Private Debt	1,055	897
Sub-total other investment funds	9,659	7,997
Options		
Total assets	93,023	74,738

All scheme assets have quoted prices in active markets.

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer's, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

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

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

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

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

The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the	
	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).

In April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2017/18-2019/20 and 90% of the expected pension contributions for current employees for the same period. The advance payment concluded in 2019/20. On 30th April 2020 a further advance payment of £6,251k was made covering 2020/21 to 2022/23 and achieving a discount of £385k over the three years compared with making monthly payments.

Bromsgrove District Council

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

Note 38 Contingent Liabilities

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

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

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

Note 39 Contingent Assets

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

There are no Contingent Assets as at 31 March 2020.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 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 as a result 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 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 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.

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

Credit rating	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 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 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 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.

Debtors

At 31st March 2020, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £1,813k in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2020 is shown in the table below:

	2020/21 £000	2019/20 £000
Less than three months	553	553
Three to six months	48	48
Six months to one year	30	30
More than one year	49	49
Total	680	680

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

- borrowings at variable rates – the interest expense charged to the 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

Collection Fund Statement

FOR THE YEAR ENDED 31 MARCH 2021

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

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 2021-2022 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2020-2021 can be spread over 3 years from 2021-2022 to 2023-2024.

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 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 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 2021-2022.

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

Collection Fund Statement
FOR THE YEAR ENDED 31 MARCH 2021

Note 1 - Council Tax Income

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

FOR THE YEAR ENDED 31 MARCH 2021

Band	Valuation band limits			Calculated number of dwellings	Adjusted 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	7/9	4,353.70	177.33
C		52,001	-	68,000	8,983	8/9	6,783.22	202.67
D		68,001	-	88,000	7,855	9/9	7,010.81	228.00
E		88,001	-	120,000	6,914	11/9	7,881.81	278.67
F		120,001	-	160,000	3,695	13/9	5,043.10	329.33
G		160,001	-	320,000	2,813	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 37,208.98

FOR THE YEAR ENDED 31 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	7/9	4,305.31	173.44
C		52,001	-	68,000	8,901	8/9	6,685.78	198.22
D		68,001	-	88,000	7,788	9/9	6,955.40	223.00
E		88,001	-	120,000	6,824	11/9	7,756.09	272.56
F		120,001	-	160,000	3,629	13/9	4,953.59	322.11
G		160,001	-	320,000	2,788	15/9	4,436.16	371.67
H	More Than		320,001	327	317.30	18/9	634.60	446.00

Adjustment 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

Note 2 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2020/21 the rate poundage was 51.2p (50.4p 2019/20). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value at 31 March 2020 was £68,616,222. 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

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

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same

services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

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 The weighted average duration of the defined benefit obligation for scheme members is 19 substantial asset or the provision of a service (or a combination of assets or services w In April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (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

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.