

Bromsgrove District Council

Financial Statements for the year ended 31 March 2016

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Bromsgrove District Council

Financial Statements for the Year ended 31 March 2016

Narrative Report

Introduction

Bromsgrove District Council's financial performance for the year ended 31 March 2016 is as set out in the Comprehensive Income & Expenditure Summary and it's financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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.

This Statement of Accounts explains Bromsgrove District Council's finances during the financial year 2015/16 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information Bromsgrove District Council reports externally.

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Bromsgrove District Council have included Group Accounts for the holding it has with the Bromsgrove Arts Development Trust.

The Movement in Reserves Statement

This statement, as set out on page 14, shows the movement in the year on the different reserves held by Bromsgrove District Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing Bromsgrove District Council's services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance 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 Bromsgrove District Council.

Comprehensive Income and Expenditure Summary (CIES)

This statement, as set out on page 15, 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.

The Balance Sheet

The Balance Sheet, as set out on page 17, shows the value as at the Balance Sheet date of Bromsgrove District Council's assets and liabilities. 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, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

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

About Bromsgrove District Council

Bromsgrove District has a population of around 95,500, around 19,000 of these are under 18 and 21,000 over 65 years of age. 75% of residents between the age of 16-64 are in employment. Around 61% of residents are between the ages of 16-64, this is slightly below the national average.

The economic picture for Bromsgrove District is positive, with consistently low unemployment. However the Indices of Multiple Deprivation 2007 (specifically income, health and education indicators) show there are issues within the District, particularly in Charford and Sidemoor. Our Financial Inclusion Team (FIT) is working with residents to help them manage their finances and debt. We have also been working with Bromsgrove District Housing Trust (BDHT) and other partners through the Bromsgrove Sunrise Project, which supports residents in the areas of highest need.

Bromsgrove town centre is a major area of focus and extensive redevelopment is underway. Recent improvements to the town centre include enhancement of the High Street, a new retail park underway and an exciting development on the Towns Market Hall Site. The Bromsgrove Town Centre Townscape Heritage Initiative (THI) has been running since 2012 allocating £1.6 million of funding from Heritage Lottery Fund and Worcester County Council and is set to complete in October 2017. So far the project has put £400,000 towards the repaving of the High Street from New Road to the Strand. As well as improvements to the public realm. The scheme has and continues to provide grant assistance for the repair of historic buildings from the iconic Tudor House on New Road which is receiving nearly £237,000 of funding to repair the timber frame to the British Heart Foundation which received nearly £9,000 towards a new shop front. The scheme is also working to assist small independent retailers who are establishing themselves in the town including a small grant towards traditional hand painted signage on a new boutique shop at 45 Worcester Road. The improvements delivered by the scheme are already beginning to show a boost in the businesses and community along Worcester Road. Alongside the repairs and improvements to the street scene and buildings the THI has worked to provide community engagement such as the community archaeological dig on the Market Hall site in 2014 which was carried out by Worcestershire Archaeology. The district centres are also key to improving facilities and opportunities for all of our residents and development projects are underway across the district.

Supporting business is incredibly important for the District; Bromsgrove entrepreneurs recorded the highest number of business start-ups outside London in the first six months of 2016. Through North Worcestershire Economic Development and Regeneration we will continue to support these businesses and established companies within the District to grow.

Whilst the health of people in Bromsgrove District is generally good, health priorities include obesity, alcohol misuse and falls in older people; sports development, health improvement and the Bromsgrove Partnership have all been undertaking targeted work on these issues. Mental Health has been a focus for the Council, with public commitment to the 'Time to Talk' initiative, providing support to our employees around wellbeing. Bromsgrove is also working towards becoming a Dementia Friendly Community, with officers and community members being supported to become 'Dementia Friends'.

Bromsgrove has the highest level of home ownership in Worcestershire, and the smallest private rented sector in the county - demand for housing within the district has had a significant impact on property prices which are higher than the Worcestershire average. With affordability and suitable housing for the elderly both important issues, the Council's Local Plan is the driver that we are using to work closely with partners and developers to ensure that the housing mix in the district meets the needs of our residents.

Bromsgrove District is a low crime area; however the North Worcestershire Community Safety Partnership has been working hard across the district to address causes of crime and to support victims. A new website, Worcestershireruralwatch.co.uk, has been launched offering extensive rural crime prevention advice, links and resources to the rural community, with a new officer addressing Rural, Business and Cyber Crime issues in Bromsgrove. The Bromsgrove and Redditch Community Safety schools programme has provided one to one mentoring sessions for 81 young people across both districts since September 2015.

The district is rich with biodiversity, geodiversity and attractive landscapes. The Council is committed to protecting our environment and has undertaken partnership work such as the 'Love Your Rivers Project' which relates to a project to improve ecology and biodiversity in Sanders Park in the creation of a wet grassland area. This improvement work not only provides further habitat opportunities for the endangered water vole but will help by slowing the flow of the water in the brook reducing the potential for downstream flooding as well as help tackling pollution.

There has been continued investment in providing activities and facilities for all ages, such as an outdoor gym at Lickey End, inclusive play facilities at the ASDA Recreation Ground and a new skate park and risky play facilities in Hagley. There were over 55,000 attendances at Bromsgrove Council events during 2014 and 2015 with the international highlight "Mobile Homme" by Transe Express. The Council has also been committed to partnership working, leading to 10th Birthday celebrations at Artrix and a bigger and better Bromsgrove Festival and International Music Competition.

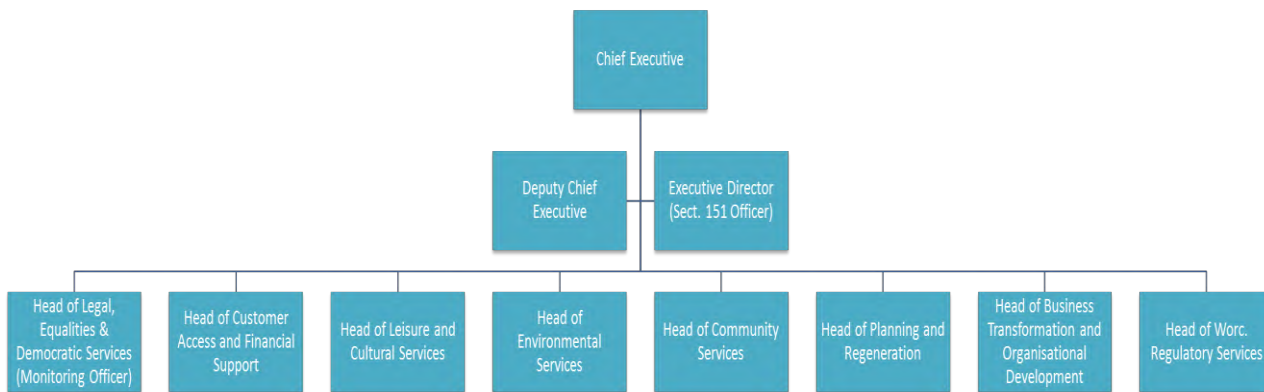
2015 saw Bromsgrove District Council move to its new facilities at Parkside; this heritage site, in the heart of Bromsgrove Town Centre, houses not only the District Council but also Job Centre Plus, a new library and several other Worcestershire County Council functions, providing a range of services for residents and customers.

Residents of the district are represented by 31 Councillors, with the political make up as follows:

Political Party	Number of Councillors
Conservative Party	18 Councillors
Independent	3 Councillors
Labour Party	7 Councillors
Wythall Residents Association	3 Councillors

The Council employs a workforce of approximately 492 staff to manage and deliver services to residents under the direction of the Senior Management Team. The Council shares many of its services with Redditch Borough Council including the Corporate Management Team. Bromsgrove District Council has moved from the Council House, Burcot Lane during 2015/16 to the New Parkside Offices which it shares with Worcestershire County Council and Job Centre Plus. This has reduced the cost associated with the accommodation and provides a joint facility in the Town Centre for the community. The Council House is now held as a surplus asset and officers are reviewing the potential options around the redevelopment of the site.

Shared Management Structure



The Council has developed a number of Strategic Purposes based on the needs of the residents and community

Bromsgrove District Council is committed to delivering effective and responsive services and listening to what the real issues facing the residents are.

The Council continues to work with partners and customers to deliver services that meet the needs of the people of Bromsgrove and aim to allocate budgets in response to issues for the delivery of the Strategic Purposes.

The Strategic Purposes are :

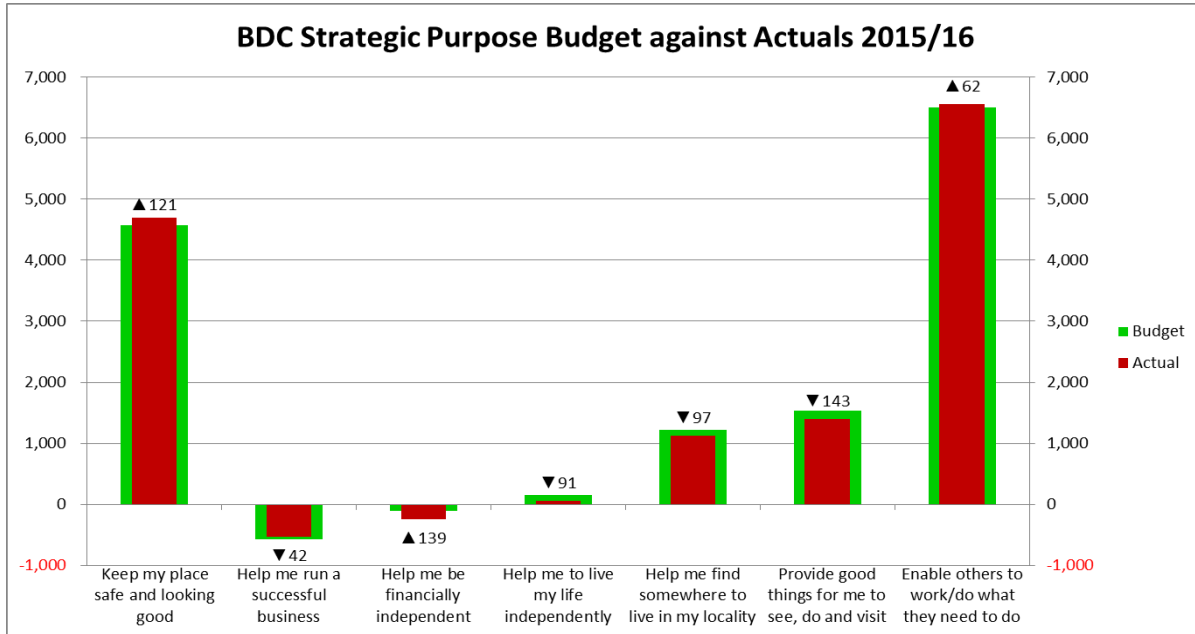


Bromsgrove District Council continues to drive forward on its innovative programme of transformation using the systems thinking methodology. Systems are mapped out to identify any areas of waste and duplication of work within the process. The aim is to reduce the waste and to ensure that processes provide an easy and improved service to the customer whilst realising savings. The programme is enabling the Council to radically change the way it delivers services to the customer as well as making savings. One of the ways of doing this is by working across a particular area or "place" to deliver services. In 2015/16 Environmental Services including cleansing and grounds maintenance were restructured with the aim to provide the locality with a service that was focused on servicing a particular area.

Financial Performance

Revenue Expenditure

The below graph compares the budgets for each of the Council's purposes to actual spend.



Strategic Purpose	Budget £000	Actual Expenditure £000	Variance £000
Keep my place safe and looking good	4,579	4,700	121
Help me run a successful business	(576)	(534)	42
Help me be financially independent	(106)	(245)	(139)
Help me to live my life independently	150	59	(91)
Help me find somewhere to live in my locality	1,215	1,118	(97)
Provide Good things for me to see, do and visit	1,539	1,396	(143)
Enable others to work/do what they need to do (to meet their purpose)	6,496	6,558	62
Totals	13,297	13,052	(245)
Corporate Financing	13,297	13,212	(85)
Grand Total	-	-	(330)

The above table shows the revenue position by Strategic Purpose for the financial year 2015/16. The Council made savings against its budgeted expenditure, at the start of the year a balance budget was set using balances of £444K, due to additional savings being made from services of £245K and from corporate budgets for £85K the use of balances was just £114K.

The overall savings included additional income from Council Tax and Lifeline. There were also a number of staff vacancies which were managed to protect permanent staff during restructuring of services.

Funding

The Council is funded by a number of external income streams including Council Tax, Business Rates and Government Grants.

Taxation and Non-Specific Grant Income and Expenditure

Income	£000
Council Tax Income	(7,852)
Non Domestic Rates Income and Expenditure	(1,394)
Non-ringfenced government grants	(3,126)
Grants to Parishes	30
Capital Grants and Contributions	(750)
Total Taxation and Non-Specific Grant Income and Expenditure	(13,092)

Capital Expenditure

Capital Expenditure relates to expenditure on large scale projects or equipment. This would include the new leisure centre and replacement of fleet vehicles.

Strategic Purpose	Budget	Actual Expenditure	Variance
	£000	£000	£000
Keep my place safe and looking good	2,924	1,142	(1,782)
Help me run a successful business	110	78	(32)
Help me be financially independent	17	0	(17)
Help me to live my life independently	770	496	(274)
Help me find somewhere to live in my locality	293	264	(29)
Provide good things for me to see, do and visit	9,510	3,262	(6,248)
Enable others to work/do what they need to do (to meet their purpose)	110	130	20
Totals	13,734	5,372	(8,362)

At the end of the financial year the Council had an underspend of just over £8m in Capital Expenditure, this was due to slippage in the building of a new leisure centre and vehicles replacements that will now be replaced in 2016/17.

Treasury Management

At 31st March 2016 Bromsgrove District Council had cash and cash equivalent balances of £1.3m. During 2015/16 the Council had no borrowing, during 2016/17 this will change due to the replacement leisure centre being built.

Usable Reserves

At the 31st March 2016 Bromsgrove District Council had a total of £7,418m to support future expenditure of this £3.2m are earmarked for future specific projects/expenditure. The Council has a policy to maintain a balances figure of £1.5m. For more information please refer to the Movement in Reserves Statement in the Accounts.

	£000
General Fund Balance	4,160
Earmarked General Fund Reserves	3,258
	7,418

Pensions

The Council's share of the assets and liabilities of its Pension Fund is a net liability and has been calculated in accordance with the International Accounting Standards 19. The net liability has decreased by £1,018m to £35,211m.

Provisions

Due to the localisation of Business Rates which became effective from 1st April 2013, the Council has set aside a provision of £766K for any potential liabilities as a result of Business Rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals backdated to 1st April 2015.

Accounting Policies

There has been one main change to the Council's accounting policies this year relating to the measurement of our Asset's, which our now valued using IFRS13.

Non Financial performance

The Council has developed a corporate dashboard to include a suite of Strategic and Operational Measures to enable a review on a daily basis the areas that support the strategic purposes and to highlight any areas of concern. The dashboard is an online system available to officers and members and reflects a host of data and information to enable decisions and proposals to be made to improve service delivery.

By using the measures available officers have reviewed service and customer need and have reduced reliance on the Council by giving greater initial support to customers. This can be evidenced through the work the Council has supported in relation to the Essential Living Fund. This fund is used to support residents in need of urgent financial support. By working more closely with the individuals there has been a reduction in the number of applications made as customers have been advised of ways to maximise their income.

Further measures relate to the number of fly tipping incidents, number of empty properties in the District and the number of residents on Housing Benefit and Council Tax support. By managing the measures the Council can address issues at the root cause of the problem with the aim to reduce costs in the future.

The Council Plan is currently under development and this will link the measures through to the Strategic Purposes to ensure that the Council has a clear strategy as to the actions required to deliver the purposes to the community.

Economic Outlook

Since 2010 Bromsgrove District Council has faced some significant financial challenges due to the reduction in funding from Central Government. In November 2015 the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finance over a number of years. These included the following which will impact district authorities:

- By the end of the Parliament Local Government will retain 100% of business rate revenues to fund local services, this is unlikely to be implemented before 2020 and the full impact is currently unknown
- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects

The Councils faces a significant challenge in addressing its forecasted budget deficit over the next 4 years in an environment where there is significant uncertainty and increasing levels of risk. Over the last 5 years the Council has embarked on an innovative approach to service redesign and releasing savings based on systems thinking methodology. In adopting the principles of this approach the Council will consider the following themes when addressing how to manage the shortfalls in funding :

- Identify opportunities to increase income and growth
- Identify alternative models of delivery in the provision of services and to consider the most appropriate provider
- Identify further efficiency by continuing to drive waste out of services and reduce cost
- Continue to redesign services to provide quality support and service to the customer whilst releasing savings
- Assess the value for money of service provided and demonstrating where resources can be realigned
- Designing services across public and voluntary sector organisations to secure better outcomes and reduce overall spend

The Council has a proven track record in delivering cost and efficiency savings. Since 2010/11 the Council has made savings from sharing services with other Councils of £4.3m and generated other savings of approximately £2.648m from additional income and increasing efficiencies. With the continued cuts to our funding we will have to find more innovative ways to meet the on-going financial pressures that the Council faces and we are working with partners to achieve savings across the public purse that will ensure that valuable front line services continue to be delivered to our communities. The financial funding available will be aligned to our purposes as detailed in this document to ensure we meet customer and community need.

Bromsgrove District Council

Financial Statements for the Year ended 31 March 2016

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
- approve the Statement of Accounts

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

The Executive Director of Finance and Resources is responsible for the preparation of Bromsgrove District Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Executive Director of Finance and Resources has also:

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

The Accounts present a true and fair view of the financial position of Bromsgrove District Council at 31 March 2016 and its income and expenditure for the year ended on that date.

SIGNED

ANNUAL GOVERNANCE STATEMENT 2015/16

Scope of Responsibility

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

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

The Purpose of the Governance Framework

The Governance Framework comprises of systems and processes, culture and values by which it directs and controls its activities. This enables the Council to engage with its communities. It enables Bromsgrove District Council to monitor its achievements against its Strategic Purposes and consider whether those Purposes have led to the delivery of appropriate services and Value for Money.

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

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

The Governance Framework

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan is currently being updated to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the 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.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by Council.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions.
- 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.
- Audit, Standards and Governance Committee approve the Corporate Risk Register and monitor the actions on a six monthly basis. A member risk champion is in place to review operational risks with managers. The service risks are also reviewed through departmental meetings.
- 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.
- 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.
- 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 2015/16.
- The Constitution clearly defines the roles of Monitoring officer, S151 and Head of Paid Service.
- A whistleblowing policy is in place.
- Regular press releases are submitted and Together Bromsgrove is sent to residents to inform them of the Councils activities and services provided.

Review of Effectiveness

Bromsgrove District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the 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 Committees all of which have fully understood governance responsibilities.

Throughout 2015/16, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit Committee and 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 corporate risk register, regular progress reports from Internal Audit and reports and updates from the External Auditors.

There have been 7 code of conduct complaints reported to the Audit Committee. All of which have been investigated and resolved.

● **Internal Audit**

Bromsgrove District Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011.

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 2014/15 the Internal Audit team delivered a comprehensive programme including:

- Core financial audits which are designed to suitably assist the external auditors to reach their "opinion".
- A range of service area audits, follow up audits and special investigations which assisted the council to maintain/improve its control systems and risk management processes or implement/reinforce oversight of such systems.

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

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

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit Committee for further scrutiny. In relation to the reports for 2015/16 actions are in place to ensure that recommendations are addressed. There was only one Audit which resulted in a "Limited" assurance in relation to the use of Agency and Consultancy contracts. The management team and officers have a number of clear actions in place to mitigate the concerns raised by Audit.

Significant Governance Issues

The S11 notice from the External Auditors in relation to the 2014/15 accounts and budget monitoring continue to be addressed by officers. Updates are taken to the Audit, Standards and Governance Committee to ensure that the Council is addressing all of the issues raised.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The issues raised and the management responses are detailed below:

The Council should put in place robust arrangements for the production of 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this, the Council should:

- ensure sufficient resources and specialist skills are available to support the accounts production,
- introduce appropriate project management skills to the production of the financial statements.

Management response

External support (via procurement tender) will be appointed.

A detailed Final Accounts closedown and production timetable will be compiled, monitored by weekly s151 officer meetings. Slippage to be escalated, explained and immediate actions implemented to rectify.

An assessment of the level of external support required will be carried out and communicated to provider.

Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.

Training needs to be identified.

Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external provider.

The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:

- the financial statements are compiled directly from the ledger
- the entries in the accounts are supported by good quality working papers which are available at the start of the audit
- the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources)
- provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information;
- the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.

Management response

Full set of template working papers to be compiled.

Meeting with external auditors to be arranged, with the aim being to agree working paper templates.

CIPFA Toolkit prior year figures to be populated as soon as available. Early training to be arranged with CIPFA consultant to ensure any errors are eliminated.

Reconciliation schedule to be completed with clear deadlines for each reconciliation, signed off and reviewed by the Exec Director of Finance on a monthly basis.

A review of the ledger system will be carried out to ensure that information required is available to download direct to the Statement of Accounts where practical.

The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.

Management response

Pressures/Savings/Bids forms on staff Orb intranet currently being updated by Heads of Service and budget holders. A detailed summary to determine gap will be prepared for Members.

Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).

The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.

Management response

New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.

Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.

Compilation of Monitoring reports for Members.

Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends.

Local Government Ombudsman

There has been evidence of fault in how the Council has dealt with a planning application for a new dwelling in the grounds of an existing property in Wythall. The Council has agreed to pay £250 for the time and trouble that this fault caused the applicant together with the costs of the additional professional fees he incurred as a result. The Ombudsman decision relates to the process for dealing with the application and that the actual planning decision was sound and has subsequently been upheld at appeal. The full detail of the case is available within the covering report to the Statement of Accounts as reported to Audit, Standards and Governance on 15th September 2016.

Signed

Date.....

Signed

Date.....

Leading of the Council & Chief Executive on behalf of Bromsgrove District Council

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2016 on pages 14 to 20 has been prepared in the form directed by the Code and under the accounting policies set out on pages 21 to 32.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....
Chief Financial Officer

.....
Date

Authority Approval of Statement of Accounts

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

.....
Chairman

.....
Date

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 2016.

1. Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2015/16 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 19th March 2015 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council, for 5 district councils. The shared service operates in accordance with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013.
- 1.3 The Internal Audit Plan for 2015/16 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' other corporate systems for example governance and
 - a number of operational systems, for example environmental, s106's Planning Obligations and Private Sector Housing - Step-up Private Tenancy Scheme were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 The 2015/16 internal audit plan was delivered in full providing sufficient coverage for the s151 and Internal Audit Service Manager to form an overall opinion.
- 1.5 In relation to the twenty one reviews that have been undertaken, eleven audits have been finalised and ten are nearing completion at clearance meeting or draft report stage. Risk management was re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. An area which returned an assurance level of 'limited' was Consultancy and Agency. All areas where assurance was 'limited' or below will be addressed by management and have a clearly defined action plan in place in order to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.
- 1.6 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. For all services no areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. Worcester Regulatory Services are introducing a new charging protocol for partners which will be determined by utilising a time recording module in their current system. This brings with it a certain risk but ongoing trials are seeing a vast improvement in captured data and appear to be moving forward in a positive way.
- 1.7 One key area of risk during the year was the late delivery of the finalised accounts for the previous year and the implications this had with a Section 11 being imposed by External Audit. However, the accounts were signed off and there has been a determination by the Finance team to ensure that this is not repeated. Regular reports have been taken before the Internal Audit Committee appraising it of progress made in regard to the 2015/16 final account process and progress that has been made in regard to the Section 11 notice.
- 1.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of continuing significant transformation and change. Where a 'limited' assurance has been reported this has been in connection with the work undertaken in regard to the procurement of Consultants and Agency workers and an action plan will be implemented.
- 1.9 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. Based on the audits performed in accordance with the approved and revised plan, the Worcestershire Internal Audit Shared Service Manager has concluded that the internal control arrangements during 2015/16 managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate purposes have been met.

Andy Bromage
Worcestershire Internal Audit Shared Services Manager
Jun-16

Bromsgrove District Council

Movement in Reserves Statement For the current and comparative year

This statement shows the movement in the year on the different reserves held by the Council, 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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	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 2014	3,744	2,573	1,746	16	8,079	5,501	13,580	13,580	5,040	18,620
Movement in reserves during the year										
Surplus or (deficit) on the provision of services	(7,891)	0	0	0	(7,891)	0	(7,891)	(7,891)	0	(7,891)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(8,771)	(8,771)	(8,771)	0	(8,771)
Total Comprehensive Income and Expenditure	(7,891)	0	0	0	(7,891)	(8,771)	(16,662)	(16,662)	0	(16,662)
Adjustments between accounting basis & funding basis under regulations (Note 7)	8,841	0	(1,715)	(6)	7,120	(7,120)	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	950	0	(1,715)	(6)	(771)	(15,891)	(16,662)	(16,662)	0	(16,662)
Transfers to or from earmarked reserves	(420)	420	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	530	420	(1,715)	(6)	(771)	(15,891)	(16,662)	(16,662)	0	(16,662)
Adjustment to Brought forward (bal figure)	0	2	0	0	2	(2)	0	0	0	0
Balance as at 31 March 2015	4,274	2,995	31	10	7,310	(10,392)	(3,082)	(3,082)	5,040	1,958
Movement in reserves during the year										
Surplus or (deficit) on the provision of services	(2,120)	0	0	0	(2,120)	0	(2,120)	(2,120)	(96)	(2,216)
Other Comprehensive Income and Expenditure	0	0	0	0	0	3,678	3,678	3,678	96	3,774
Total Comprehensive Income and Expenditure	(2,120)	0	0	0	(2,120)	3,678	1,558	1,558	0	1,558
Adjustments between accounting basis & funding basis under regulations	2,268		(31)	(10)	2,227	(2,227)	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	148	0	(31)	(10)	107	1,451	1,558	1,558	0	1,558
Transfers to or from earmarked reserves	(263)	263	0	0	0	0	0	0	(5)	(5)
Increase/(Decrease) in Year	(115)	263	(31)	(10)	107	1,451	1,558	1,558	(5)	1,553
Balance Sheet as at 31 March 2016	4,159	3,258	0	0	7,417	(8,941)	(1,524)	(1,524)	5,035	3,511

Bromsgrove District Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

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

		2015/16		2014/15		
	£000	£000	£000	£000	£000	
	Expenditure	Income	Net	Expenditure	Income	
Central services to the public	2,334	(1,382)	952	1,660	(1,145)	515
Cultural and related services	2,622	(449)	2,173	4,881	(335)	4,546
Environment and regulatory services	9,348	(4,249)	5,099	7,338	(2,843)	4,495
Planning Services	3,023	(1,530)	1,493	4,314	(998)	3,316
Highways and transport services	1,378	(1,458)	(80)	1,973	(1,467)	506
Other housing services	19,637	(17,996)	1,641	19,333	(17,531)	1,802
Corporate and democratic core	2,945	(863)	2,082	4,834	(1,831)	3,003
Non distributed costs		(3)	(3)	439	(2)	437
Cost of Services	41,286	(27,929)	13,357	44,772	(26,152)	18,620
Other Operating Expenditure	721	0	721	705	0	705
Financing and Investment Income and Expenditure	1,252	(118)	1,134	1,231	(155)	1,076
Taxation and Non-Specific Grant Income and Expenditure	9,225	(22,317)	(13,092)	9,558	(22,068)	(12,510)
(Surplus) or Deficit on Provision of Services			2,120			7,891
Surplus or deficit on revaluation of Property, Plant and Equipment			(1,595)			408
Remeasurement of the net defined benefit liability/(asset)			(2,083)			8,363
Other Comprehensive Income and Expenditure			(3,678)			8,771
Total Comprehensive Income and Expenditure			(1,558)			16,662

Bromsgrove District Council

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

Notes

	2015/16			2014/15		
	£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Central services to the public	2,334	(1,382)	952	1,660	(1,145)	515
Cultural and related services	2,749	(449)	2,300	4,881	(335)	4,546
Environment and regulatory services	9,348	(4,249)	5,099	7,338	(2,843)	4,495
Planning Services	3,023	(1,530)	1,493	4,314	(998)	3,316
Highways and transport services	1,378	(1,458)	(80)	1,973	(1,467)	506
Other housing services	19,637	(17,996)	1,641	19,333	(17,531)	1,802
Corporate and democratic core	2,945	(863)	2,082	4,834	(1,831)	3,003
Non distributed costs	0	(3)	(3)	439	(2)	437
Surplus/Deficit on Continuing Operations	41,413	(27,929)	13,484	44,772	(26,152)	18,620
Other Operating Expenditure	9	721	0	721	705	0
Financing and Investment Income and Expenditure	10	1,252	(118)	1,134	1,231	(155)
Taxation and Non-Specific Grant Income	11	9,225	(22,317)	(13,092)	9,558	(22,068)
Associates and Joint Ventures accounted for on an equity basis	16	0	0	(31)	0	0
Group (Surplus) or Deficit			2,216			7,860
Surplus or deficit on revaluation of Property, Plant and Equipment	12		(1,689)	314		
Remeasurement of the net defined benefit liability/(asset)	36		(2,083)	8,363		
Other Comprehensive Income and Expenditure			(3,772)	8,677		
Total Comprehensive Income and Expenditure			(1,556)	16,537		

Bromsgrove District Council

Balance Sheet as at 31 March 2016

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, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2016 £000	31st March 2015 £000
Property, Plant & Equipment	12	32,477	27,835
Investment Property	13	0	467
Intangible Assets	14	364	564
Long Term Debtors	18	41	0
Long Term Assets		32,882	28,866
Inventories	17	230	196
Short Term Debtors	18	6,236	5,330
Cash and Cash Equivalents	19	1,391	6,100
Assets held for sale	20	1,423	1,997
Current Assets		9,280	13,623
Short Term Borrowing	15	(82)	(76)
Short Term Creditors	21	(6,675)	(7,076)
Provisions	22	(915)	(1,282)
Current Liabilities		(7,672)	(8,434)
Other Long Term Liabilities	36	(35,211)	(36,229)
Capital Grants received in advance	32	(803)	(908)
Long Term Liabilities		(36,014)	(37,137)
Net Assets		(1,524)	(3,082)
Usable reserves	23	7,417	7,310
Unusable Reserves	24	(8,941)	(10,392)
Total Reserves		(1,524)	(3,082)

Bromsgrove District Council

Group Balance Sheet as at 31 March 2016

Information relating to the Group Balance Sheet is included in Note 16 - Group Accounts

	Notes	2015/16 £000	2014/15 £000
Property, Plant & Equipment	12	37,512	32,875
Investment Property	13	0	467
Intangible Assets	14	364	564
Long Term Debtors	18	41	0
Long Term Assets		37,917	33,906
Inventories	17	230	196
Short Term Debtors	18	6,236	5,330
Cash and Cash Equivalents	19	1,391	6,100
Assets held for sale	20	1,423	1,997
Current Assets		9,280	13,623
Short Term Borrowing	15	(82)	(76)
Short Term Creditors	21	(6,675)	(7,076)
Provisions	22	(915)	(1,282)
Current Liabilities		(7,672)	(8,434)
Other Long Term Liabilities	36	(35,211)	(36,229)
Capital Grants Receipts in Advance	32	(803)	(908)
Long Term Liabilities		(36,014)	(37,137)
Net Assets		3,511	1,958
Usable reserves	23	7,417	7,310
Unusable Reserves	24	(3,906)	(5,352)
Total Reserves		3,511	1,958

Bromsgrove District Council

Cash Flow Statement at 31 March 2016

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	2015/16 £000	2014/15 £000
Net surplus or (deficit) on the provision of services		(2,120)	(7,891)
Adjustment to surplus or deficit on the provision of services for non-cash movements		1,911	8,412
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,588)	(607)
Net cash flows from operating activities	25	(1,797)	(86)
Net Cash flows from Investing Activities	26	(2,660)	(2,965)
Net Cash flows from Financing Activities	27	(252)	483
Net increase or decrease in cash and cash equivalents		(4,709)	(2,568)
Cash and cash equivalents at the beginning of the reporting period		6,100	8,669
Cash and cash equivalents at the end of the reporting period		1,391	6,101

Bromsgrove District Council

Group Cash Flow Statement at 31 March 2016

	Notes	2015/16 £000	2014/15 £000
Net surplus or (deficit) on the provision of services		(2,216)	(8,016)
Adjustment to surplus or deficit on the provision of services for noncash movements		2,007	8,537
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,588)	(607)
Net cash flows from operating activities	25	(1,797)	(86)
Net Cash flows from Investing Activities	26	(2,660)	(2,965)
Net Cash flows from Financing Activities	27	(252)	483
Net increase or decrease in cash and cash equivalents		(4,709)	(2,568)
Cash and cash equivalents at the beginning of the reporting period		6,100	8,669
Cash and cash equivalents at the end of the reporting period		1,391	6,101

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations, which those regulations require 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, 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.

Revenue Recognition

Revenue recognition has been accounted for in accordance with IAS 18. Revenue is measured at fair value of the consideration received or receivable. Fair value is generally regarded as the amount for which an asset could be acquired, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

1.2 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will follow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is an Council's precept or demand for the year, plus or minus the Council's share of the surplus /deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

As the collection of Council Tax for preceptors (Worcestershire County Council, West Mercia Police and Crime Commissioner, and Hereford and Worcester Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Bromsgrove District Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

1.3 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 Charges to revenue for non-current assets

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

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

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

1.5 Employee benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end 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 entitlements are charged to revenue in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They 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 Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

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

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

- The liabilities of the Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.32% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors)
- The assets of Worcestershire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities - current bid price

The change in the net pension's 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 Council – 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 in 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.

Re-measurements 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 Worcestershire County Council Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any such amounts payable but unpaid at the year end. The negative balance 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.6 Events after the reporting period

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

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

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

1.7 Exceptional items

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

1.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Property, Plant and Equipment

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.9 Heritage assets

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

1.10 Intangible assets

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

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

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

The useful life applied to this classification of assets is between 3-7 years.

1.11 Surplus Assets

The Council has identified that it has Assets which are not being actively marketed and no longer used for operational purposes, these assets are therefore classified as surplus. Surplus Assets are valued annually on the basis of 'highest and best use' this is based on the value that you can reasonably expect for someone to pay for the assets on the open market, as prescribed by IFRS13.

1.12 Government Grants and Contributions

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

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

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

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

1.13 Inventories and long term contracts

Inventories are included in the Balance Sheet at the latest price paid. Some minor inventories are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that inventories should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

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

1.14 Investment property

An Investment policy is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rental or for capital appreciation does not meet the definition.

The Council has not got any Investment properties as at 31.3.16

1.15 Leases

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

The Council has no finance leases as at 31.3.16

The Council as lessee

Operating leases

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

The Council as lessor

Operating leases

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

1.16 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. A materiality level of £250K has been set by the Council and notes below this amount have been removed where they are not considered to add value to the statements.

1.17 Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.18 Prior period adjustments, changes in accounting

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

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

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

1.19 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 Council 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 (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:-

- Buildings- straight line allocation over the useful life of the property as estimated by the valuer and is between 5-50 years.
- Vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer and is between 2-15 years.
- Infrastructure – straight line allocation up to 40 years.

Componentisation

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

Revaluation

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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

Residual values

Where assets are held past their estimated useful life their residual values are usually immaterial or below the £10,000 de minimus level for inclusion on the Balance Sheet. Where an asset has reached the end of its estimated life and is still used, its value is reviewed to confirm that its value is immaterial. This is done annually at the end of the accounting year.

De minimus capital expenditure

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register. De minimus assets financed from capital resources are written off to the service in the year that expenditure is incurred. Credits are made from the Capital Adjustment Account to ensure the written down assets do not have an impact on Council Tax.

1.20 Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

1.21 Reserves

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

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

1.22 Revenue expenditure funded from capital under statute

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

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

1.23 Jointly controlled assets/operations

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

1.24 Shared services

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council together with being the host for Worcestershire Regulatory Services. A number of other shared services are hosted by Redditch Borough Council, 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 Council 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 Council's as well as other services. Cross-charging occurs where a resource is used by the other Council where there is not a formal shared service in place.

Each Council 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 Council. Where a cost is only in relation to one Council, this falls outside the Business Case and the Council that gains the benefit for this is fully charged.

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

1.25 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 2016

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. These amendments are listed below; it is expected that these will have no material impact on the Statement of Accounts.

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds Earmarked Reserves of £3.258m and General Fund Balances of £4.159m.

The Council has determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.

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 Statement. Further information is disclosed in note 16.

The Council has made a provision against the potential cost of business rates appeals based on indicative information from the Valuation Office combined with other factors including the outcome of previous appeals and local knowledge.

Bromsgrove District Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

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 Council 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 Bromsgrove District Council's Balance Sheet at 31 March 2016 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 is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE would increase by £555k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £1.729m. Further sensitivity analysis can be seen in the defined benefit pension scheme note.
Bad Debt Provisions	As at 31 March 2016 the Council had sundry debtor balances of £369k . Provisions for bad debts are made according to the age of the debt and past experience and a provision of £63k is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £37k would have to be set aside.
Provision for Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.	Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £77k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 5 Material Items of Income and Expense

Property, Plant and Equipment on the balance sheet has increased in 2015/16, this is substantially due to the completion of Parkside Offices where officers have now relocated to. This is valued at £3.584m.

It is anticipated that the Council House (Burcot Lane) which is classified as a Surplus Assets at £1.750m. In 2016/17 an assessment will be carried out to investigate possible future uses for the site.

The Council has started the development of a new leisure centre of which £2.8m expenditure was incurred in the year.

Note 6 Events after the Reporting Period

On 23 June 2016, the United Kingdom voted to leave the European Union. The result has caused some uncertainty in the financial and currency markets. It is too early to tell at this stage the longer term impact the exit may have. At this point our review has not indicated any areas of the financial accounts which will need to change.

At its meeting on 25th June 2015, the Worcestershire Regulatory Services (WRS) Joint Committee agreed to recommend partner councils dissolve the then current Worcestershire Shared Services Partnership on 31st March 2016 and constitute a new partnership comprising of the six district councils on 1st April 2016 along with a service level agreement between the new partnership and Worcestershire County Council for the provision of trading standards and animal health services.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Usable Reserves				
2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pension cost (transferred to (or from) the Pensions Reserve)	1,066	0	0	(1,066)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0	0
Council tax and NDR (transfers to or from the Collection Fund)	(338)	0	0	338
Holiday pay (transferred to the Accumulated Absences reserve)	(5)	0	0	5
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,666	0	0	(2,666)
Total Adjustments to Revenue Resources	3,389	0	0	(3,389)

Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(839)	839	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	15	(15)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(38)	0	0	38
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(259)	0	0	259
Total Adjustments to Revenue Resources	(1,121)	824	0	297
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(855)	0	855
Application of capital grants to finance capital expenditure	0	0	(10)	10
Total Adjustments to Capital Resources	0	(855)	(10)	865
Total Adjustments	2,268	(31)	(10)	(2,227)

Usable Reserves				
2014/15	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£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)	598	0	0	(598)
Council tax and NDR (transfers to or from the Collection Fund)	520	0	0	(520)
Holiday pay (transferred to the Accumulated Absences reserve)	10	0	0	(10)
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)	8,249	0	0	(8,249)
Total Adjustments to Revenue Resources	9,377	0	0	(9,377)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(83)	83	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(453)	0	0	453
Total Adjustments to Revenue Resources	(536)	83	0	453
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(1,798)	0	1,798
Application of capital grants to finance capital expenditure	0	0	(6)	6
Total Adjustments to Capital Resources	0	(1,798)	(6)	1,804
Total Adjustments	8,841	(1,715)	(6)	(7,120)

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance as at 1 April 2014 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2015 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2016 £000
General Fund:							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	46	0	0	46	27	0	73
Business Transformation	0	11	0	11	0	0	11
Community Safety	95	17	(82)	30	13	0	43
Community Services	0	0	0	0	40	0	40
Economic Regulation	75	0	(44)	31	0	(26)	5
Election Services	17	70	0	87	25	0	112
Financial Services	572	145	(70)	647	174	0	821
Health Improvements Initiatives	13	0	(11)	2	0	(2)	0
Housing Schemes	168	0	0	168	1	0	169
ICT/Systems	318	0	(113)	205	100	(39)	266
Leisure/Community Safety	156	426	(15)	567	183	(282)	468
Litigation Reserve	230	100	0	330	96	(178)	248
Local Development Framework	14	55	0	69	73	0	142
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Local Strategic Partnership	1	0	(1)	0	0	0	0
Organisation Development	4	0	(4)	0	0	0	0
Other	101	26	(29)	98	9	(19)	88
Regulatory Services (Partner Share)	9	1	(6)	4	9	0	13
Replacement Reserve (inc Recycling)	488	0	(11)	477	113	0	590
Shared Services	245	11	(56)	200	50	(104)	146
Total Earmarked Reserves	2,575	862	(442)	2,995	913	(650)	3,258

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 9 Other Operating Expenditure

	2015/16 £000	2014/15 £000
Parish council precepts	741	748
Levies	0	0
Gains/losses on the disposal of non current assets	(20)	(43)
Other	0	0
Total	721	705

Note 10 Financing and Investment Income and Expenditure

	2015/16 £000	2014/15 £000
Interest payable and similar charges	0	0
Net interest on the net defined benefit liability (asset)	1,129	1,157
Interest receivable and similar income	(35)	(56)
Income and expenditure in relation to investment properties and changes in their fair value	0	(39)
Other investment income	40	14
Total	1,134	1,076

Note 11 Taxation and Non-Specific Grant Income and Expenditure

	2015/16 £000	2014/15 £000
Income		
Council Tax Income	(7,852)	(7,685)
Non Domestic Rates Income and Expenditure	(1,394)	(799)
Non-ringfenced government grants	(3,126)	(3,547)
Grants to Parishes	30	45
Capital Grants and Contributions	(750)	(524)
Total	(13,092)	(12,510)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 12 Property, Plant and Equipment

Current Year

Property, Plant & Equipment (PP&E)									Group Asset £000	Total Group PPE £000
	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000		
Cost or Valuation										
Balance as at 1 April 2015	9,825	9,837	11,121	601	832	4,379	0	36,595	5,040	41,635
Prior year disposal costs charged to CIES in year	0	0	0	0	0	(60)	0	(60)	0	(60)
Adjusted opening balance	9,825	9,837	11,121	601	832	4,319	0	36,535	5,040	41,575
Additions (Note 35)	0	420	980	10	0	2,980	0	4,390	0	4,390
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	46	1,034	0	0	0	0	(350)	730	(5)	725
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(37)	(38)	0	0	0	0	0	(75)	0	(75)
Derecognition - Disposals	0	(209)	(608)	0	0	0	0	(817)	0	(817)
Reclassifications & Transfers	(876)	2,814	555	0	0	(4,271)	2,100	322	0	322
Balance as at 31 March 2016	8,958	13,858	12,048	611	832	3,028	1,750	41,085	5,035	46,120
Depreciation and Impairment										
Balance as at 1 April 2015	0	(571)	(7,886)	(303)	0	0	0	(8,760)	0	(8,760)
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	0	(571)	(7,886)	(303)	0	0	0	(8,760)	0	(8,760)
Depreciation Charge	0	(548)	(739)	(28)	0	0	0	(1,315)	(127)	(1,442)
Depreciation written out on Revaluation Reserve	0	865	0	0	0	0	0	865	127	992
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	13	0	0	0	0	0	13	0	13
Derecognition - Disposals	0	17	572	0	0	0	0	589	0	589
Balance as at 31 March 2016	0	(224)	(8,053)	(331)	0	0	0	(8,608)	0	(8,608)
Net Book Value										
Balance as at 31 March 2016	8,958	13,634	3,995	280	832	3,028	1,750	32,477	5,035	37,512
Balance as at 31 March 2015	9,825	9,266	3,235	298	832	4,379	0	27,835	5,040	32,875

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Prior Year

Property, Plant & Equipment (PP&E)									Group Asset	Total Group PPE
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
Balance as at 1 April 2014	12,345	14,779	11,059	549	832	481	0	40,045	5,040	45,085
Additions (Note 35)	0	20	193	52	0	3,898	0	4,163	0	4,163
Revaluation increases/decreases to Revaluation Reserve	(912)	94	0	0	0	0	0	(818)	0	(818)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(481)	(4,893)	(46)	0	0	0	0	(5,420)	0	(5,420)
Derecognition - Disposals	0	(43)	(85)	0	0	0	0	(128)	0	(128)
Reclassifications & Transfers	0	(120)	0	0	0	0	0	(120)	0	(120)
Reclassified to/from Held for Sale	(1,127)	0	0	0	0	0	0	(1,127)	0	(1,127)
Balance as at 31 March 2015	9,825	9,837	11,121	601	832	4,379	0	36,595	5,040	41,635
Depreciation and Impairment										
Balance as at 1 April 2014	0	(1,134)	(7,179)	(278)	0	0	0	(8,591)	0	(8,591)
Depreciation Charge	0	(481)	(792)	(25)	0	0	0	(1,298)	0	(1,298)
Depreciation written out on Revaluation Reserve	0	410	0	0	0	0	0	410	0	410
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	631	0	0	0	0	0	631	0	631
Derecognition - Disposals	0	3	85	0	0	0	0	88	0	88
Balance as at 31 March 2015	0	(571)	(7,886)	(303)	0	0	0	(8,760)	0	(8,760)
Net Book Value										
Balance as at 31 March 2015	9,825	9,266	3,235	298	832	4,379	0	27,835	5,040	32,875
Balance as at 31 March 2014	12,345	13,645	3,880	271	832	481	0	31,454	5,040	36,494

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings - 8-75 years (Land is not depreciated but Buildings are based on Valuers Assessment)
- Vehicles, Plant and Equipment - 1-25 years
- Infrastructure - 5-20 years

Capital Commitments

The Council has capital commitments of £13m in relation to the development of the new leisure centre, in year a £2.8m spend has occurred.

The Council currently has a 10 year fleet replacement scheme. In 2015/16 of the total budget of £2,257m, £1,033m was spent during the year. Capital commitments exist for the remainder of the 15/16 allocated replacement budget scheme but there have been delays in sourcing and delivering of the vehicles. This will be fully spent in 2016/17.

Revaluations

The basis for valuation of the individual classes of assets owned by the Council is explained in the Statement of Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Council's valuation provider, Worcestershire County Council Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Fair Value Hierarchy for Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

2015/16 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2016 £000
Council House	0	1,750	0	1,750
Total	0	1,750	0	1,750

Transfers between levels of the fair value hierarchy

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant observable inputs – Level 2

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,750k. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 13 Income, Expenditure and changes in Fair Value of Investment Properties

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

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

	2015/16	2014/15
	£000	£000
Balance at 1 April	467	347
Transfers:		
- to/from Property, Plant and Equipment	(467)	120
Balance at 31 March	0	467

At 1st April 2015, a review was undertaken to determine whether assets were Investment Property by their nature, i.e. held solely for rental income and/or capital appreciation. When reviewed against the Council's Strategic purposes, it was found that other reasons existed for holding such assets. As a result, 6 assets amounting (with a Net Book Value of £467k) were transferred to operational Property, Plant & Equipment.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 14 Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Other Assets	Allocation
Software Standard Treatment	3 Years
Shared Software with Redditch BC	5 Years
Large Projects with longer term benefits i.e. Spatial Project	7 Years

The Movement in Intangible Assets for the Year is as Follows

	2015/16		2014/15	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amounts	3,416	3,416	3,268	3,268
Accumulated amortisation	(2,852)	(2,852)	(2,467)	(2,467)
Net carrying amount at start of year	564	564	801	801
Additions:				
Purchases	207	207	148	148
Sub Total	771	771	949	949
Amortisation for the period	(407)	(407)	(385)	(385)
Net carrying amount at end of year	364	364	564	564
Comprising:				
Gross carrying amounts	3,623	3,623	3,416	3,416
Accumulated amortisation	(3,259)	(3,259)	(2,852)	(2,852)
Balance at 31 March	364	364	564	564

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 15 Financial Instruments

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

	31/03/2016 £000	31/03/2015 £000
Cash and Cash Equivalents	1,391	0
Total Cash and Cash Equivalents	1,391	0
Investments		
Loans and receivables reflected as part of cash and cash equivalents	0	6,400
Total Investments	0	6,400
Debtors		
Financial assets carried at contract amounts	4,889	4,072
Total Debtors	4,889	4,072
Borrowings		
Financial liabilities at fair value through profit and loss	(82)	(76)
Financial liabilities reflected as part of cash and cash equivalents	0	(300)
Total Other Long Term Liabilities	(82)	(376)
Creditors		
Financial liabilities carried at contract amount	(5,680)	(5,623)
Total Creditors	(5,680)	(5,623)

The movement in the loans and receivables reflected as part of cash and cash equivalents is due to the increase in the capital programme in 2015/16 for the development of a new Leisure centre, borrowing will be required for this project but currently the Council has used its investment income to finance this project.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 16 Group Accounts

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

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed, the Trustees have been registered with the Official Custodian of Charities, these include Members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of 6 of the 8 Trustees. As such this gives them the ability to influence decisions made by this Board. The Council supplies no funding for this Trust which solely holds the building known as the Artrix, it is not responsible for service provision and any assets or liabilities arising there from. As such the figures used for consolidation are based on the property valuation which has been carried out by an independent valuation service, from Worcestershire County Council.

The Arts Development Trust asset shown in the Group Balance Sheet (PPE) is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale the Council has no right to a share in the proceeds nor can the Council determine whether or not sale of this property should be undertaken.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure during the year. The only entry for the Trust would be the depreciation calculated for the building.

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

1.2 Property, Plant and Equipment

	31/03/2016		31/03/2015	
	BDC £000	Trust £000	BDC £000	Trust £000
Property, Plant & Equipment Net Book Value	32,477	6,715	27,835	6,720

The Property, Plant and Equipment Asset being consolidated within the group accounts relates solely to the Artrix Building held by Bromsgrove Arts Development Trust.

1.3 Reconciliation of Group Movement in Reserves Statement to the Group Balance Sheet

	31/03/2016 £000	31/03/2015 £000
Total Reserves in the Group Movement in Reserves Statement	3,511	1,958
Minority interest's share of reserves in subsidiaries	1,679	1,680
Total Reserves in the Group Balance Sheet	5,190	3,638

1.4 Usable Reserves

There is no impact on the Council's usable reserves as a result of preparing Group Accounts.

1.5 Unusable Reserves

	31/03/2016	31/03/2015
	£000	£000
Revaluation Reserve	5,822	4,376
Capital Adjustment Account	21,344	22,698
Pensions Reserve	(35,211)	(36,228)
Collection Fund Adjustment Account	(747)	(1,085)
Accumulated Adjustments Account	(148)	(153)
Group Revaluation Reserve	2,789	2,757
Building Reserve	2,246	2,283
Balance at 31 March	(3,905)	(5,352)

1.6 Group Comprehensive Income & Expenditure Statement

The group comprehensive income and expenditure mirrors the single entity accounts with the exception of the following items:-

- additional depreciation charged in relation to the Artrix Building (£127k) within Cultural Services and the recognition of the minority interest in this charge (£31k)
- the Council's share of the upward revaluation on the Artrix Land & Buildings recognised in Other Comprehensive Income & Expenditure (£96k)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 17 Inventories

	2015/16 £000	2014/15 £000
Balance at 1 April	196	145
Purchases	551	543
Recognised as an expense in year	(497)	(491)
Written off balances	(20)	(1)
Reversals of write-offs in previous years	0	0
Balance at 31 March	230	196

Note 18 Debtors

	Long term debtors		Short term debtors	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Central Government Bodies	0	0	548	438
Other Local Authorities	0	0	3,455	1,932
NHS Bodies	0	0	0	0
Public corporations and trading funds	0	0	0	0
Other entities and individuals	41	0	2,233	2,960
Total	41	0	6,236	5,330

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:

	2015/16 £000	2014/15 £000
General Fund Debtors	63	46
Council Tax	194	254
NNDR	255	303
Housing Benefit	685	588

Note 19 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:

	2015/16 £000	2014/15 £000
Cash and Bank balances	1,391	2
Short Term Investments	0	0
Short Term Deposits	0	6,400
Bank Overdraft	0	(302)
Total	1,391	6,100

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 20 Assets Held for Sale

	Current	
	2015/16 £000	2014/15 £000
Balance at 1 April	1,997	870
Addition of Property Plant and Equipment	2	1,127
Assets sold	(576)	0
Balance at 31 March	1,423	1,997

These assets are part of the redevelopment scheme of Bromsgrove Town Centre, conditional offers have been accepted on these sites and it is anticipated that these will be completed within 2016/17.

Note 21 Creditors

	Short term creditors	
	2015/16 £000	2014/15 £000
Central government bodies	(322)	(650)
Other local authorities	(2,997)	(2,662)
Other Entities and Individuals	(3,356)	(3,765)
Total	(6,675)	(7,076)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 22 Provisions

	Balance as at 1 April 2015 £000	Contribution/ Release of Provision £000	Utilised during year £000	Balance as at 31 March 2016 £000
Business Rates Appeals	(1,129)	(273)	636	(766)
Employee benefits	(153)	4	0	(149)
Total	(1,282)	(269)	636	(915)

Current Provisions	(1,282)	(269)	636	(915)
Long Term Provisions	0	0	0	0
Total	(1,282)	(269)	636	(915)

Comparative Year

	Balance as at 1 April 2014 £000	Contribution/ Release of Provision £000	Utilised during year £000	Balance as at 31 March 2015 £000
Business Rates Appeals	(369)	(760)	0	(1,129)
Employee benefits	(141)	(12)	0	(153)
Total	(510)	(772)	0	(1,282)

Current Provisions	(510)	(772)	0	(1,282)
Long Term Provisions	0	0	0	0
Total	(510)	(772)	0	(1,282)

NDR Appeals Provisions

The Council has set aside a provision for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals backdated to 1st April 2015.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 23 Useable Reserves

Capital Receipts Reserve

These are receipts from the sale of Council assets, which are held in reserve until they are required to fund capital expenditure:

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	31	1,746
Capital Receipts in year	824	83
Deferred Receipts realised	0	0
	855	1,829
Less:		
Capital Receipts Pooled	0	0
Capital Receipts used for financing	(855)	(1,798)
Balance at 31 March	0	31

Capital Grants Unapplied

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	10	16
Unapplied Capital Grants transferred to CAA in year on application	(10)	(6)
Balance at 31 March	0	10

Movement in the Authorities useable reserves are detailed in the Movement in Reserves Statement and notes 7 and 8.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 24 Unusable Reserves

	31/03/2016 £000	31/03/2015 £000
Revaluation Reserve	5,822	4,376
Capital Adjustment Account	21,344	22,698
Pensions Reserve	(35,211)	(36,228)
Collection Fund Adjustment Account	(747)	(1,085)
Accumulated Absences Account	(148)	(153)
Total Unusable Reserves	(8,940)	(10,392)

Revaluation Reserve

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

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.

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	4,376	4,819
Upward revaluation of assets	1,595	0
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	(408)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,595	(408)
Difference between fair value depreciation and historical cost depreciation	(149)	(33)
Revaluation balances on assets scrapped or disposed of	0	(2)
Amount written off to the Capital Adjustment Account	(149)	(35)
Balance at 31 March	5,822	4,376

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	31/03/2016		31/03/15	
	£000	£000	£000	£000
Balance at 1 April		22,698		28,656
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	(1,315)	0	(1,298)	0
Revaluation losses on Property, Plant and Equipment	(62)	0	(4,789)	0
Amortisation of Intangible Assets	(407)	0	(385)	0
Revenue expenditure funded from capital under statute	(828)	0	(2,261)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(804)	0	(40)	0
		(3,416)		(8,773)
Adjusting amounts written out of the Revaluation Reserve	0	150	0	34
Net written out amount of the cost of non current assets consumed in the year		(3,266)		(8,739)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	855	0	1,798	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	750	0	524	0
Application of grants to capital financing from the Capital Grants Unapplied Account	10	0	6	0
Statutory provision for the financing of capital investment charged against the General Fund	38	0	0	0
Capital expenditure charged against the General Fund	259	0	453	0
		1,912		2,781
Balance at 31 March		21,344		22,698

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	(36,228)	(27,267)
Remeasurements of the net defined benefit liability/(asset)	2,083	(8,363)
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	(3,133)	(2,539)
Employers pensions contributions and direct payments to pensioners payable in the year	2,067	1,941
Balance at 31 March	(35,211)	(36,228)

Collection Fund Adjustment Account

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

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	(1,085)	(565)
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	338	(520)
Balance at 31 March	(747)	(1,085)

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.

	31/03/2016 £000	31/03/2015 £000
Balance at 1 April	(153)	(141)
Settlement or cancellation of accrual made at the end of the preceding year	153	141
Amounts accrued at the end of the current year	(148)	(153)
Balance at 31 March	(148)	(153)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 25 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest Paid	0	0
Interest Received	33	56
Dividends Received	0	0

	2015/16 £000	2014/15 £000
Adjustment to surplus or deficit on the provision of services for noncash movements:		
Depreciation	1,315	1,298
Impairment & downward valuations	62	4,789
Amortisation	407	385
(Increase)/Decrease in provisions		772
(Increase)/Decrease in Debtors	(793)	(724)
Increase/(Decrease) in Creditors	(613)	1,007
(Increase)/Decrease in Inventories	(34)	(51)
Movement in pension liability	1,066	598
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	804	38
Other items charged to the net surplus or deficit on provision of services	(303)	300
	1,911	8,412

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Proceeds from the sale of PP&E, investment property and intangible assets	(839)	(83)
Any other items	(749)	(524)
	(1,588)	(607)

Note 26 Cash Flow From Investing Activities

	2015/16 £000	2014/15 £000
Purchase of PP&E, investment property and intangible assets	4,232	4,544
Other Payments for Investing Activities	(97)	0
Proceeds from the sale of PP&E, investment property and intangible assets	(839)	(83)
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	(1,000)
Other Receipts from Investing Activities	(636)	(496)
Net Cash flows from Investing Activities	2,660	2,965

Note 27 Cash flows from Financing Activities

	2015/16 £000	2014/15 £000
Cash Receipts from Short and Long Term Borrowing	7	0
Other Receipts from Financing Activities	0	0
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	0	0
Repayment of Short and Long Term Borrowing	0	(4)
Other payments for Financing Activities	(259)	487
Net Cash flows from Financing Activities	(252)	483

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed into Strategic Purposes. These reports are prepared on a different basis from the accounting policies used in the financial statements, in particular, the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's Strategic Purposes recorded in the budget reports for the year is as follows:

2015/16	Keep my place safe and looking good	Help me run a successful business	Help me to be financially independent	Help me to live my life independently	Help me find somewhere to live in my locality	Provide Good things for me to see, do and visit	Enable others to work/do what they need to do (to meet their purpose)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	4,743	1,461	1,409	297	234	179	2,632	10,955
Government grants	41	0	16,941	387	0	0	34	17,403
Internal Recharges	5	0	0	0	0	0	291	296
Total Income	4,789	1,461	18,350	684	234	179	2,957	28,654
Employee expenses	5,941	21	295	0	349	5	4,892	11,503
Other service expenses	3,548	906	17,810	743	1,003	1,570	4,616	30,196
Support service recharges	0	0	0	0	0	0	7	7
Total Expenditure	9,489	927	18,105	743	1,352	1,575	9,515	41,706
Net Expenditure	4,700	(534)	(245)	59	1,118	1,396	6,558	13,052

2014/15 has been restated to reflect the changes in how the budget reports are now being sent to members to allow comparison between the years.

2014/15	Keep my place safe and looking good	Help me run a successful business	Help me to be financially independent	Help me to live my life independently	Help me find somewhere to live in my locality	Provide Good things for me to see, do and visit	Enable others to work/do what they need to do (to meet their purpose)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	3,493	1,535	400	232	243	222	2,546	8,671
Government grants	0	0	17,148	323	0	0	68	17,471
Total Income	3,493	1,535	17,548	555	243	222	2,614	26,210
Employee expenses	4,657	1	301	0	388	1	4,531	9,879
Other service expenses	2,778	797	17,210	562	602	1,322	3,763	27,034
Capital Charges	681	136	0	681	107	439	518	2,562
Support service recharges	0	0	0	0	0	0	0	0
Total Expenditure	8,116	934	17,511	1,243	1,097	1,762	8,812	39,475
Net Expenditure	4,623	(601)	(37)	688	854	1,540	6,198	13,265

This reconciliation shows how the figures in the analysis of Strategic Purposes income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£000	£000
Net expenditure in the Strategic Purposes Analysis	13,052	13,265
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(8)	5,771
Allocation of recharges	(25)	(25)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	338	(391)
Cost of Services in Comprehensive Income and Expenditure	13,357	18,620

This reconciliation shows how the figures in the analysis of Strategic Purposes income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Strategic Purposes Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(10,955)	271	74	0	(10,610)	(83)	(10,693)
Interest and investment income	0	0	0	0	0	(35)	(35)
Income from council tax	0	0	0	0	0	(7,852)	(7,852)
Income from non domestic rates	0	0	0	0	0	(1,394)	(1,394)
Government grants and contributions	(17,403)	(271)	387	0	(17,287)	(3,876)	(21,163)
Internal Recharges	(296)	0	288	(25)	(33)	0	(33)
Total Income	(28,654)	0	749	(25)	(27,930)	(13,240)	(41,170)
Employee expenses	11,503	(71)	0	0	11,432	0	11,432
Other service expenses	28,475	0	(411)	0	28,064	123	28,187
Support Service recharges	7	0	0	0	7	0	7
Depreciation, amortisation and impairment	1,721	63	0	0	1,784	0	1,784
Interest Payments	0	0	0	0	0	1,129	1,129
Precepts & Levies	0	0	0	0	0	771	771
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(20)	(20)
Total expenditure	41,706	(8)	(411)	0	41,287	2,003	43,290
Surplus or deficit on the provision of services	13,052	(8)	338	(25)	13,357	(11,237)	2,120

2014/15	Strategic Purposes Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,671)	(2)	(358)	0	(9,031)	(39)	(9,070)
Interest and investment income	0	0	0	0	0	(116)	(116)
Income from council tax	0	0	0	0	0	(7,685)	(7,685)
Government grants and contributions	(17,539)	0	418	0	(17,121)	(4,825)	(21,946)
Total Income	(26,210)	(2)	60	0	(26,152)	(12,665)	(38,817)
Employee expenses	9,879	(520)	0	0	9,359	0	9,359
Other service expenses	26,921	(2)	(338)	0	26,581	0	26,581
Support Service recharges	0	0	0	(25)	(25)	0	(25)
Depreciation, amortisation and impairment	2,562	6,295	0	0	8,857	0	8,857
Trading Services/Investment Properties	113	0	(113)	0	0	74	74
Interest Payments	0	0	0	0	0	748	748
Precepts & Levies	0	0	0	0	0	1,157	1,157
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(43)	(43)
Total expenditure	39,475	5,773	(451)	(25)	44,772	1,936	46,708
Surplus or deficit on the provision of services	13,265	5,771	(391)	(25)	18,620	(10,729)	7,891

Bromsgrove District Council

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Note 29 Members' Allowances

During the year Members allowances, including Employer's costs totalled £215 (2014/15 £258) and are as follows:

	2015/16 £000	2014/15 £000
Basic Allowances	141	175
Special Allowances	62	67
Expenses inc Car Allowances	12	16
Total	215	258

Note 30 Officers Remuneration

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

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total £
Chief Executive	2015/16	127,500	14,408	141,908	70,954	70,954
	2014/15	127,500	13,897	141,397	70,699	70,699
Executive Director of Finance & Resources	2015/16	94,945	10,662	105,607	52,804	52,804
	2014/15	92,654	10,132	102,786	51,393	51,393
Head of Legal & Democratic Services	2015/16	78,806	8,894	87,700	43,850	43,850
	2014/15	76,628	8,454	85,082	42,541	42,541
Total	2015/16	301,251	33,964	335,215	167,608	167,608
	2014/15	296,782	32,483	329,265	164,633	164,633

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Executive Director of Planning & Regeneration, Regulatory & Housing	2015/16	0	0	0	0	0
	2014/15	0	0	0	0	0
Executive Director of Leisure, Environmental & Community	2015/16	102,189	12,546	114,735	57,368	57,368
	2014/15	102,000	12,036	114,036	57,018	57,018
Total	2015/16	102,189	12,546	114,735	57,368	57,368
	2014/15	102,000	12,036	114,036	57,018	57,018

Senior Employees' Remuneration

The Council'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

	2015/16	2014/15
£50,001 to £55,000	2	8
£55,001 to £60,000	8	2
£60,001 to £65,000	0	2
£65,001 to £70,000	0	0
£70,001 to £75,000	0	1
£75,001 to £80,000	4	3
£80,001 to £85,000	1	0
Total	15	16

Redditch Borough Council

	2015/16	2014/15
£50,001 to £55,000	1	2
£55,001 to £60,000	2	2
£60,001 to £65,000	0	1
£65,001 to £70,000	1	1
£70,001 to £75,000	0	0
£75,001 to £80,000	3	2
£80,001 to £85,000	0	0
Total	7	8

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:

Bromsgrove District Council

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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £	2014/15 £
£0-£20,000	0	0	15	20	15	20	134,550	250,627
£20,001 - £40,000	0	0	1	0	1	0	25,398	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	2	0	2	0	165,679	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,000 - £200,000	0	0	1	0	1	0	186,393	0
Total cost included in CIES							512,020	250,627

Of the figures above £9k has been charged to Redditch Borough Council where officers were made redundant as part of the Authority's Shared Service Agenda. Of the above a total of £351k has been paid by other Local Authorities as part of their share of costs relating to North Worcestershire Regulatory Services. The total charge to Bromsgrove is £92,927.31

Redditch Borough Council

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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £	2014/15 £
£0-£20,000	0	0	26	34	26	34	117,270	185,193
£20,001 - £40,000	0	0	1	1	1	1	47,159	22,773
Total cost included in CIES							164,429	207,966

Of the 2015/16 figure included above for Redditch Borough Council, none of the above amount has been charged to Bromsgrove District Council as officers were not made redundant as part of the Authorities Shared Service Agenda.

During 2015/16 no directors received exit packages in either Council.

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.

	2015/16 £000	2014/15 £000
Grant Certification Work 2013/14	12	0
Grant Certification Work 2014/15	10	0
Additional Audit Fee for 2014/15	9	0
Fees payable with regard to external audit services carried out by the appointed auditor for the year	49	67
Fees in respect of Benefit Audit 2015/16	9	0
Refund of audit fees	0	(4)
Total	89	63

Bromsgrove District Council

Notes to the Financial Statements
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Note 32 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	2015/16 £000	2014/15 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(1,229)	(1,761)
Non-ringfenced revenue grants	(1,897)	(1,786)
Capital Grants	(750)	(524)
Total	(3,876)	(4,071)

	2015/16 £000	2014/15 Restated £000
Credited to Services		
DCLG Local Council Tax Support Admin Subsidy	(69)	(73)
DCLG New Burdens	(91)	(77)
DCLG NNDR Cost of Collection	(123)	(124)
Other DCLG Grant Income	(8)	(29)
Department of Energy Climate	(40)	0
DWP Admin Grant	(232)	(268)
DWP Discretionary Housing	(52)	(72)
DWP Housing Benefit subsidy	(16,413)	(15,877)
Other DWP Grant Income	(59)	(17)
Heritage Lottery Funding	(42)	(79)
IER funding - Cabinet Office	(26)	(68)
WCC Council Tax Hardship Fund	(25)	0
WCC Essential Living Fund	(96)	(85)
WCC Recycling incentive	(11)	(12)
WCC Sports Partnership	0	(13)
Other Grant Income	0	(3)
Total	(17,287)	(16,797)

The Council 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. The balances at year-end are as follows:

Long-term Liabilities

Grants Received in Advance (Capital)	2015/16 £000	2014/15 £000
Section 106	(786)	(891)
Energy Efficiency	(17)	(17)
Total	(803)	(908)

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 33 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to 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 (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 39.

Members

Members of the council have direct control over the council's financial and operating policies . The total of members allowances paid in 2015/16 is shown in Note 31. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

During 2015/16, 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 and Bromsgrove District Housing Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has paid a grant to Bromsgrove Arts Centre Trust of £63k. 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 £310k for the homelessness service.

Officers

There were no disclosures made by officers in 2015/16.

Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Redditch Borough Council, Bromsgrove paid £2,703k for Redditch hosted services and received £4,013k for services hosted at Bromsgrove.

The Council has been involved in shared service arrangements for Markets, Economic Development and Land Drainage with Wyre Forest District Council. The Council has paid £120k to Wyre Forest for services hosted by them. Bromsgrove District Council have received £3k from Wyre Forest in respect of these services.

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 £130k from Wyre Forest.

For the provision of Car Park Services, the Council paid £194k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £43k to Worcester City Council.

As host of the Worcester Regulatory Shared Service the council received £403k from Malvern Hills District Council, £472k from Wyre Forest District Council, £722k from Wychavon District Council, £458k Worcester City Council, £864k Worcester County Council, £548k from Redditch Borough Council.

At 31 March 2016 the following amounts were owed to the partners of shared service:

	£000
Worcester City Council	36
Redditch Borough Council	38
Wychavon District Council	47
Wyre Forest District Council	52
Malvern Hills District Council	31
Worcester County Council	246

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

	£000
Worcester City Council	84
Redditch Borough Council	104
Wychavon District Council	111
Wyre Forest District Council	74
Malvern Hills District Council	61
Worcester County Council	166

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

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 34 Leases

Operating and Finance Leases

Operating Leases (Council as lessee)

During 2014/15 it was anticipated that the Council would have future year lease obligations of £19k however this lease ended in 2015/16 so no lease obligations exist for 2015/16 or future years.

Council as Lessor:

Operating Leases (Council as lessor)

The Council, 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:

	31st March 2016	31st March 2015
	£000	£000
No later than 1 year	53	30
Later than 1 year and no later than 5 years	206	103
Later than 5 years	356	242
Total	615	375

The Council leases out Land and Buildings on operating leases these include Sanders Park and Victoria Ground. The income for these have been credited to the CIES. The amounts received 2015/16 were £41k and 2014/15 £42k

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 35 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	3,791	0
Capital Investment:		
Property, Plant and Equipment	4,390	4,163
Intangible Assets	62	148
Other	35	0
Revenue Expenditure Funded from Capital under Statute	828	2,261
	5,315	6,572
Sources of finance:		
Capital receipts	(855)	(1,798)
Government grants and other contributions	(760)	(530)
Sums set aside from revenue:		
Direct revenue contributions:		
General	(259)	(453)
MRP	(38)	0
	(1,912)	(2,781)
Closing Capital Finance Requirement	7,194	3,791
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by government financial assistance)	3,401	3,791
Increase/(decrease) in Capital Financing Requirement	3,401	3,791

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 36 Defined Benefit Pension Schemes

The figures included in the Council's accounts are a combination of Bromsgrove's direct employees and 11.535% (11.05% 2014/15) of Worcestershire Regulatory Services.

Retirement Benefits

Participation in the Local Council Pension Scheme

As part of the terms and conditions of employment of its officers, the Council 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 Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- (ii) 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 scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Worcestershire County Council. Policy is determined in accordance with the Public Service Pensions Act 2013.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie 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.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Opening adjustment</i>		(29)		
<i>Service cost comprising:</i>				
Current service cost	1,969	1,276	0	0
Past service cost	35	135	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,065	1,074	64	83
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	3,069	2,456	64	83

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)	2,550	(3,829)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(4,596)	11,986	(67)	180
Administration	30	26	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	1,053	10,639	(3)	263

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	(3,069)	(2,456)	(64)	(83)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	1,928	1,802		
Retirement benefits payable to pensioners			139	139

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Present value of the defined obligation	(84,683)	(86,565)	(1,933)	(2,076)
Fair value of plan assets	51,405	52,412	0	0
Sub-total	(33,278)	(34,153)	(1,933)	(2,076)
Other movements in the liability (asset)	0	0	0	0
Net liability arising from the defined benefit obligation	(33,278)	(34,153)	(1,933)	(2,076)

Reconciliation of movements in the fair value of scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	52,412	46,791		
Opening adjustments		29		
Interest income	1,683	2,058		
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	(2,644)	3,829		
Change of Reg Services share of assets	94			
The effect of changes in foreign exchange rates				
Contributions from employer	1,928	1,802	139	139
Contributions from employees into the scheme	527	452		
Benefits/transfers paid	(2,564)	(2,523)	(139)	(139)
Administration Expenses	(31)	(26)		
Closing value of scheme assets	51,405	52,412	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Opening balance at 1 April	(86,565)	(72,107)	(2,076)	(1,952)
Current service cost	(1,969)	(1,276)		
Interest cost	(2,748)	(3,132)	(64)	(83)
Contributions from scheme participants	(527)	(452)		
Remeasurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	0		
Actuarial (gains)/losses from changes in financial assumptions	4,727	(11,986)	67	(180)
Change of Reg Services share of liabilities	(131)	0		
Losses/(gains) on curtailments where relevant	(35)	(135)		
Liabilities assumed on entity combinations:				
Benefits/transfers paid	2,565	2,523	140	139
Balance as at 31 March	(84,683)	(86,565)	(1,933)	(2,076)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2016 £000	31/03/2015 £000
Cash and cash equivalents	1,089	838
Equities:		
Uk quoted	377	11,636
Overseas quoted	17,556	20,073
PIV - UK Managed	14,395	5,346
PIV - UK Managed (overseas)	10,226	10,692
PIV - Overseas Managed	379	420
Sub-total equity	42,933	48,167
Bonds:		
UK Corporate	213	367
Overseas Corporate	2,937	3,040
Sub-total bonds	3,150	3,407
Property:		
European Property Fund	1,609	0
UK Property Debt	602	0
Overseas Property Debt	115	0
Sub-total property	2,326	0
Other investment funds:		
UK Infrastructure	1,907	0
Sub-total other investment funds	1,907	0
Total assets	51,405	52,412

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 2013.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16	2014/15	2015/16	2014/15
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	23.5	23.4	23.5	23.4
Women	25.9	25.8	25.9	25.8
<i>Longevity at 65 for future pensioners:</i>				
Men	25.8	25.6	25.8	25.6
Women	28.2	28.1	28.2	28.1
Financial assumptions:				
Rate of inflation	2.0%	2.0%	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%
Discount Rate	3.5%	3.2%	3.5%	3.2%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	1,826	(1,826)
Rate of inflation (increase or decrease by 0.1%)	1,846	(1,846)
Rate of increase in salaries (increase or decrease by 0.1%)	1,786	(1,786)
Rate for discounting liabilities (increase or decrease by 0.1%)	(1,729)	1,729

Impact on the Council's cashflows

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

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

The Council anticipates to pay £2.111m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Note 37 **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.

Various NHS trusts and limited companies have made applications for relief for business rates, this is an on-going issue and the outcome of these appeals will not be known until future years, no provision has been made for this.

Note 38 **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 2016.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Note 39 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.

Fitch Ratings is an international credit rating agency (one of three nationally recognised rating agencies alongside Moody's and Standard & Poor's). Fitch Ratings long-term credit ratings are set up along a scale from 'AAA' to 'D' where 'AAA' designates the best quality companies, reliable and stable through to 'D' where the company has defaulted on obligations and Fitch believes that it will generally default on all or most of its obligations. Fitch's short term ratings indicate the potential level of default within a 12 month period. F1+ is the best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment.

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

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment
Term Deposits	Long Term: A- & Short Term: F1	£3 million
Deposits with Debt Management Account –		£no upper limit *

* 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.

At 31st March 2016, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £1.3m 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 2016 is shown in the table below:

	2015/16 £000	2014/15 £000
Less than three months	520	892
Three to six months	24	82
Six months to one year	19	0
More than one year	468	0
	1,031	974

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:

- 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

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 2015/16, the Council had no variable rate investments or borrowings.

Price Risk

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

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

Collection Fund Statement

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

2014/15			2015/16			
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
			Collection Fund			
			INCOME			
0	(53,612)	(53,612)	Council Tax Receivable	0	(55,727)	(55,727)
(26,873)	0	(26,873)	Business Rates Receivable	(26,808)	0	(26,808)
(181)	0	(181)	Transitional Protection Payments Receivable	(252)	0	(252)
(27,054)	(53,612)	(80,666)	Total amounts to be credited	(27,060)	(55,727)	(82,787)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(276)	0	(276)	Central Government	(607)	0	(607)
(221)	99	(122)	Billing Authority	(485)	127	(358)
(50)	472	422	County Council	(109)	608	499
(5)	33	28	Fire Authority	(12)	43	31
0	81	81	Police Authority	0	105	105
			Precepts, demands and shares			
13,222		13,222	Central Government	13,865		13,865
10,578	7,557	18,135	Billing Authority	11,092	7,731	18,823
2,380	36,138	38,518	County Council	2,496	37,693	40,188
264	2,561	2,825	Fire Authority	277	2,670	2,947
0	6,219	6,219	Police Authority	0	6,490	6,490
			Charges to Collection Fund			
333	231	564	Increase/(decrease) in allowance for impairment	216	264	480
1,898	0	1,898	Increase/(decrease) in allowance for appeals	(906)	0	(906)
181	0	181	Transitional Protection Payments Payable	252	0	252
124	0	124	Charge to General Fund for allowable collection costs for non-domestic rates	123	0	123
28,428	53,391	81,819	Total amounts to be debited	26,202	55,731	81,933
1,374	(221)	1,153	(Surplus) /deficit arising during the year	(858)	4	(854)
1,834	(1,176)	658	(Surplus)/deficit b/f at 1 April	3,208	(1,397)	1,811
3,208	(1,397)	1,811	(Surplus)/deficit c/f at 31 March	2,350	(1,393)	957

The 2014/15 Collection Fund account has been restated. The balance brought forward 1 April 2015 was an incorrect figure that had been input into the accounts incorrectly, this has been amended from £1,338m to £1,176m as per the Collection Fund Accounts.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

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 2016

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of properties	Ratio to Band D		Equated number of dwellings	Council Tax Payable - BDC Only
		£	£						
					4			1.96	
A	Up to & including	40,000		3,448	1,757	6/9		1,171.64	133.49
B		40,001	- 52,000	7,070	5,279	7/9		4,105.66	155.74
C		52,001	- 68,000	8,531	7,118	8/9		6,327.50	174.99
D		68,001	- 88,000	7,557	6,727	9/9		6,726.55	200.24
E		88,001	- 120,000	6,636	6,168	11/9		7,538.24	244.74
F		120,001	- 160,000	3,379	3,192	13/9		4,610.10	289.24
G		160,001	- 320,000	2,641	2,515	15/9		4,191.10	333.73
H	More Than		320,001	333	294	18/9		587.71	400.48

Adjustment	0.99
Council tax base	34,907.84

FOR THE YEAR ENDED 31 MARCH 2015

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of properties	Ratio to Band D		Equated number of dwellings	Council Tax Payable - BDC Only
		£	£						
				0	-5.05			-2.81	
A	Up to & including	40,000		3,519	1,665.86	6/9		1,110.57	133.49
B		40,001	- 52,000	7,143	5,188.54	7/9		4,035.53	155.74
C		52,001	- 68,000	8,538	6,912.75	8/9		6,144.66	174.99
D		68,001	- 88,000	7,586	6,613.95	9/9		6,613.95	200.24
E		88,001	- 120,000	6,623	6,024.03	11/9		7,362.70	244.74
F		120,001	- 160,000	3,373	3,124.08	13/9		4,512.56	289.24
G		160,001	- 320,000	2,628	2,461.47	15/9		4,102.44	333.73
H	More Than		320,001	334	291.48	18/9		582.96	400.48

Adjustment	0.99
Council tax base	34,117.93

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

	2015/16 £	2014/15 £
Bromsgrove District Council	200.24	200.24
Worcestershire County Council	1,079.77	1,059.22
Police and Crime Commissioner for West Mercia	185.90	182.28
Hereford and Worcestershire Fire and Rescue	76.50	75.06
Parish Councils (Average)	21.24	21.26
Total Council Tax for the District	1,563.65	1,538.06

Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2015/16 the amount was 49.3p (48.2p 2014/15). 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. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 11. The total rateable value @ 31 March 2016 was £69,239,171 (31 March 2015 = £69,169,631).

The Council is also a member of the Birmingham Business Rates Pool, meaning that levy and safety net payments are calculated on a pooled rather than individual authority basis.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

Approval by the Council

I certify that the above Statement of Accounts was approved by Council at its meeting held on XX September 2016

Signed on behalf of Bromsgrove District Council

Councillor Geoffrey Denaro
Leader of the Council

XX September 2016

The Executive Director (Finance & Resources) Responsibilities

The Executive Director (Finance & Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing the Statement of Accounts, the Executive Director (Finance & Resources) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Executive Director (Finance & Resources) has also:

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

Certification of the accounts by the Executive Director (Finance & Resources)

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that by signing this statement the Statement of Accounts give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2016.

J Pickering CPFA
Executive Director (Finance & Resources)

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2016

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 Council 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 Council 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 Council'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 Council 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 Council 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 Council 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 Council'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 Council'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 Council 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 Council 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 Council'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 Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council'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 Council 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

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 Council 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 Council'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 Council 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 Council without disrupting its business and are either:

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

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 Council'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 Council on behalf of itself, central government and major preceptors. In Scotland it is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council 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 Council 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.

RATEABLE VALUE

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

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council'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 Council 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 Council. 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 Council 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 Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

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