



**Bromsgrove**  
District Council  
[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

# **STATEMENT OF ACCOUNTS 2021/22**



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## Introduction

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

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

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

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

The sections are:

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



# NARRATIVE REPORT

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

## Our District

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

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

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

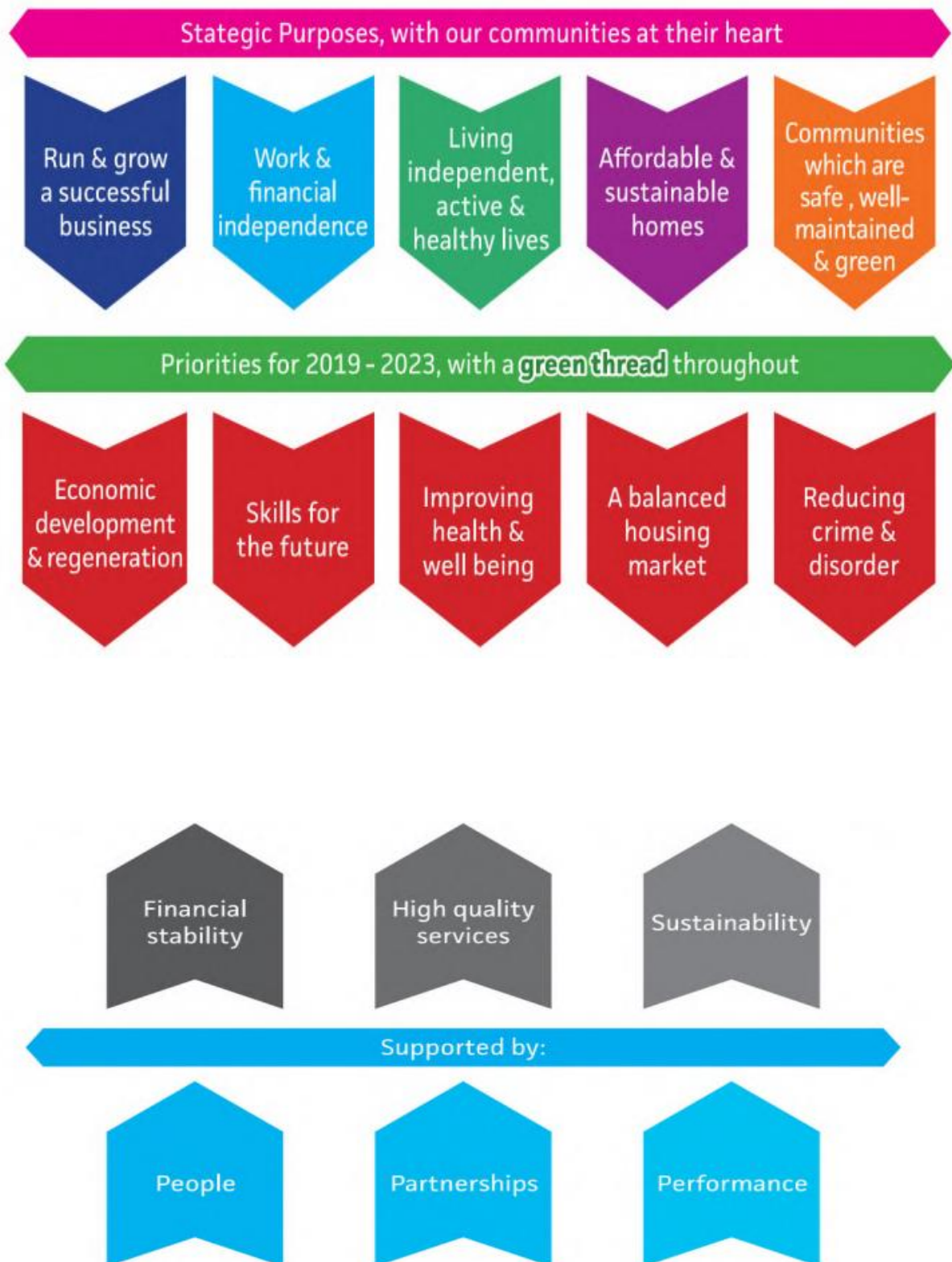
The Council, along with Redditch Borough Council, were one of the first councils in the country to form a shared service in 2008. This means we have a single team serving both Councils. Bromsgrove also host services such as Worcestershire Regulatory Services which is pan Worcestershire.

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

## Strategic Purpose

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

## NARRATIVE REPORT



### National Position

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

# NARRATIVE REPORT

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

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

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

## Financial Performance

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

## Organisational Performance

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

## Governance

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

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

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

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

## Reserves, Financial Performance and Financial Position

### Financial Outlook

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

## NARRATIVE REPORT

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

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

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

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

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



## NARRATIVE REPORT

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

### Risks and Opportunities

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

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

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

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

## NARRATIVE REPORT

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

### Expenditure and Funding Analysis

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

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

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

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

## NARRATIVE REPORT

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

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

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

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

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

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

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

### **Environmental Services – outturn position £187k overspend**

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

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

### **Financial & Customer Services – outturn position £39k overspend**

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

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

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

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

# NARRATIVE REPORT

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

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

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

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

## **Regulatory Client – outturn position £42k underspend**

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

## **Starting Well – outturn position £13k underspend**

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

## **Reserves**

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

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

## **Grants**

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

## **Capital**

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

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

## **Explanation of the Accounting Statements**

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

### **The Core Statements are:**

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

## NARRATIVE REPORT

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

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

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

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

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

The Supplementary Statements are:

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

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



# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## Statement of Responsibilities

### The Authority's responsibilities

The Authority is required to:

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

### The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

## CERTIFICATE

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

..... Date: 6 December 2024

Director of Finance and Resources (Chief Finance Officer)

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

..... Date: 6 December 2024  
Chair

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

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

## MOVEMENT IN RESERVES STATEMENT

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

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

# BALANCE SHEET

## Balance Sheet as at 31 March 2022

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

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

These financial statements replace the unaudited financial statements confirmed by Peter Carpenter, Section 151 Officer, on 4 December 2024 and were authorised for issue on 6 December 2024.

..... Date: 4 December 2024

# CASH FLOW STATEMENT

## Cash Flow Statement at 31 March 2022

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

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



# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B1. Expenditure and Funding Analysis

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

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B2. Expenditure and Income Analysed by Nature

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

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

|  |              |                |
|--|--------------|----------------|
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>(718)</b> | <b>(4,939)</b> |
|--|--------------|----------------|

### Revenue from contracts with Service Recipients

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

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

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

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B3. Other Operating Income and Expenditure

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

## B4. Financing and Investment Income and Expenditure

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

## B5. Taxation and Non-Specific Grant Income and Expenditure

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

## B6. Members Allowances

|                              | 2021/22<br>£000 | 2020/21<br>£000 |
|------------------------------|-----------------|-----------------|
| Basic Allowances             | 146             | 140             |
| Special Allowances           | 73              | 66              |
| Expenses Inc. Car Allowances | 1               | 6               |
| <b>Total</b>                 | <b>220</b>      | <b>212</b>      |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B7. External Audit Costs

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

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

## B8. Grant Income

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

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

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

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B9. Officer Remuneration

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

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

## Senior Employees Remuneration

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

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



## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

### B10. Termination Benefits

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

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

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## C1. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

### General Fund Balance

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

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

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C2. Movements in Earmarked Reserves

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

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

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C3. Usable Reserves

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

#### Capital Receipts Reserve

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

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

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

### C4. Unusable Reserves

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

#### Revaluation Reserve

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



## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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

The balance is reduced when assets with accumulated gains are:

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

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

### Capital Adjustment Account

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

### Pensions Reserve

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

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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

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

### Collection Fund Adjustment Account

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

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

### Accumulated Absences Account

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

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

## NOTES TO THE BALANCE SHEET

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

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

## NOTES TO THE BALANCE SHEET

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

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

## NOTES TO THE BALANCE SHEET

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### Depreciation

All assets have been depreciated using a reducing balance method.

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

### Valuation of Property, Plant and Equipment

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

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

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

### Transfers between levels of the Fair Value Hierarchy

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

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

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

### Highest and best use of surplus assets

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

### Valuation Techniques

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

### Valuation Process for Surplus Assets

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

## NOTES TO THE BALANCE SHEET

### D2. INTANGIBLE ASSETS

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

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

All software is assigned a useful life of seven years.

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

|   | £000           |
|---|----------------|
| <b>Cost or Valuation</b>                        |                |
| <b>Balance as at 1 April 2021</b>               | <b>4,283</b>   |
| Additions                                       | 405            |
| <b>Balance as at 31 March 2022</b>              | <b>4,688</b>   |
| <b>Amortisation and Impairment</b>              |                |
| <b>Balance as at 1 April 2021</b>               | <b>(3,829)</b> |
| Amortisation Charge                             | (148)          |
| Amortisation written out on Revaluation Reserve | 0              |
| <b>Balance as at 31 March 2022</b>              | <b>(3,977)</b> |
| <b>Net Book Value</b>                           |                |
| <b>Balance as at 31 March 2022</b>              | <b>712</b>     |
| <b>Balance as at 31 March 2021</b>              | <b>453</b>     |

### D3. Debtors

|                                | Long term debtors |                 | Short term debtors |                 |
|--------------------------------|-------------------|-----------------|--------------------|-----------------|
|                                | 2021/22<br>£000   | 2020/21<br>£000 | 2021/22<br>£000    | 2020/21<br>£000 |
| Central Government Bodies      | 0                 | 0               | 4,763              | (1,502)         |
| Other Local Authorities        | 0                 | 0               | 2,368              | 2,541           |
| Other entities and individuals | 188               | 330             | 4,550              | 5,749           |
| Less bad debt provision        | 0                 | 0               | (1,871)            | (1,835)         |
| <b>Total</b>                   | <b>188</b>        | <b>330</b>      | <b>9,810</b>       | <b>4,953</b>    |

## NOTES TO THE BALANCE SHEET

### D4. Creditors

|                                | Short term creditors |                 |
|--------------------------------|----------------------|-----------------|
|                                | 2021/22<br>£000      | 2020/21<br>£000 |
| Central Government bodies      | 0                    | (312)           |
| Other local authorities        | (676)                | (3,262)         |
| Other Entities and Individuals | 0                    | (7,430)         |
| <b>Total</b>                   | <b>(676)</b>         | <b>(11,004)</b> |

### D5. Provisions 2021/22

|                        | Balance as<br>at 1 April<br>2021<br>£000 | Change in<br>provision<br>during year<br>£000 | Utilised<br>during<br>year<br>£000 | Balance as<br>at 31 March<br>2022<br>£000 |
|------------------------|--|---|------------------------------------|---|
| Business Rates Appeals | (1,251)                                  | 0   | 916                                | (335)                                     |
| Employee Benefits      | (189)                                    | 0   | 0                                  | (189)                                     |
| Insurance Provision    | (4)                                      | 0   | 0                                  | (4)                                       |
| <b>Total</b>           | <b>(1,444)</b>                           | <b>0</b>                                      | <b>916</b>                         | <b>(528)</b>                              |

### 2020/21

|                        | Balance as<br>at 1 April<br>2020<br>£000 | Change in<br>provision<br>during year<br>£000 | Utilised<br>during<br>year<br>£000 | Balance as<br>at 31 March<br>2021<br>£000 |
|------------------------|--|---|------------------------------------|---|
| Business Rates Appeals | 0  | (1,251)                                       | 0                                  | (1,251)                                   |
| Employee Benefits      | (189)                                    | 0   | 0                                  | (189)                                     |
| Insurance Provision    | 0  | (4)   | 0                                  | (4)                                       |
| <b>Total</b>           | <b>(189)</b>                             | <b>(1,255)</b>                                | <b>0</b>                           | <b>(1,444)</b>                            |

#### Business Rates Appeals Provision

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

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

#### Insurance Provision

The Council also holds a provision for potential insurance claims. This is currently £0.004m. The Council self-insures up to the value of £0.028m per claim and this provision is calculated with regard to the level of outstanding claims.



## NOTES TO THE BALANCE SHEET

### D6. Capital Expenditure and Financing

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

| Capital Expenditure and Capital Financing   | 2021/22<br>£000 | 2020/21<br>£000 |
|---|-----------------|-----------------|
| Opening Capital Financing Requirement   | 21,195          | 19,682          |
| <b>Capital Investment</b>   |                 |                 |
| Property, Plant and Equipment   | 6,796           | 2,223           |
| Intangible Assets   | 0               | 381             |
| Long Term Debtor  | 0               | 11              |
| Revenue Expenditure Funded from Capital under Statute                                     | 746             | 746             |
| <b>Total</b>  | <b>7,542</b>    | <b>3,361</b>    |
| <b>Sources of finance</b>   |                 |                 |
| Capital receipts  | 0               | (531)           |
| Government grants and other contributions   | 0               | (596)           |
| <b>Sums set aside from revenue:</b>   |                 |                 |
| Direct revenue contributions:   | (2,088)         | 0               |
| Minimum Revenue Provision (MRP)   | 0               | (721)           |
|   | (2,088)         | (1,848)         |
| Closing Capital Finance Requirement   | 26,649          | 21,195          |
| <b>Explanation of movements in year</b>   |                 |                 |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 5,454           | 1,513           |
| <b>Increase/(decrease) in Capital Financing Requirement</b>                               | <b>5,454</b>    | <b>1,513</b>    |

### D7. Assets Held for Sale

There were no assets held for sale as at 31 March 2022. To be an asset held for sale, it requires the Council to be committed to plant to sell the asset which is available for immediate sale, being actively marketed and a sale is highly probable within twelve months.

### D8. Inventories

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

|   | Consumable Stores |            |
|---|-------------------|------------|
|   | 2021/22           | 2020/21    |
|   | £000              | £000       |
|   |                   |            |
| <b>Balance outstanding at start of year</b> | 249               | 229        |
| Purchases                                   | 595               | 20         |
| Recognised as an expense in year            | (316)             | 0          |
| <b>Balance outstanding at year end</b>      | <b>528</b>        | <b>249</b> |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E1. Defined Benefit Pension Scheme

#### Retirement Benefits

##### Participation in the Local Authority Pension Scheme

##### Discretionary post-retirement Benefits

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

#### Transactions relating to post-employment Benefits.

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

|  |  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|--|---------------------------------|-----------------|------------------------|-----------------|
|  |  | 2021/22<br>£000                 | 2020/21<br>£000 | 2021/22<br>£000        | 2020/21<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |  |                                 |                 |                        |                 |
| <i>Cost of services:</i>   |  |                                 |                 |                        |                 |
| <i>Service cost comprising:</i>  |  |                                 |                 |                        |                 |
| Current service cost   |  | 4,151                           | 3,243           | 0                      | 0               |
| Past service cost  |  | 35                              | 0               | 0                      | 0               |
| (Gain)/loss from settlements   |  | 0                               | 0               | 0                      | 0               |
| <b>Financing and Investment Income and Expenditure:</b>  |  |                                 |                 |                        |                 |
| Net Interest expense   |  | 1,115                           | 1,008           | 43                     | 43              |
| <b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b> |  | <b>5,301</b>                    | <b>4,251</b>    | <b>43</b>              | <b>43</b>       |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

| Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement        |                |              |            |            |
|---|----------------|--------------|------------|------------|
| <b>Remeasurement of the net defined benefit liability comprising:</b>                               |                |              |            |            |
| Return on plan assets (excluding the amount included in the net interest expense)                   | (5,517)        | (16,420)     | 0          | 0          |
| Actuarial gains and losses arising on changes in demographic assumptions                            | (1,091)        | 0            | 0          | 0          |
| Actuarial gains and losses arising on changes in financial assumptions                              | (2,546)        | 21,168       | 187        | 187        |
| Actuarial gains and losses arising on changes in Experience   | 354            | (2,457)      | (43)       | (43)       |
| Other   | 0              | 40           | 0          | 0          |
| <b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>(3,499)</b> | <b>6,582</b> | <b>187</b> | <b>187</b> |

| Movement in Reserves Statement   |         |         |         |      |
|--|---------|---------|---------|------|
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (5,301) | (4,251) | (43)    | (43) |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b>  |         |         |         |      |
| Employers' contributions payable to scheme   | 2,540   | 2,349   | 131     | 0    |
| Retirement benefits payable to pensioners  | (131)   | 0       | (2,874) | 135  |

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

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

|  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|---------------------------------|-----------------|------------------------|-----------------|
|  | 2021/22<br>£000                 | 2020/21<br>£000 | 2021/22<br>£000        | 2020/21<br>£000 |
| Present value of the defined obligation                          | (139,591)                       | (145,688)       | (1,762)                | (1,883)         |
| Fair value of plan assets  | 94,934                          | 93,024          | 0                      | 0               |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(44,657)</b>                 | <b>(52,664)</b> | <b>(1,762)</b>         | <b>(1,883)</b>  |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

| Net Liability and Pension Strain                                 | Local Government Pension Scheme |                 |
|--|---------------------------------|-----------------|
|  | 2021/22<br>£000                 | 2020/21<br>£000 |
| Local Government Pension Scheme                                  | (44,657)                        | (52,664)        |
| Discretionary Benefits   | (1,762)                         | (1,883)         |
| Pension Strain Liability   |                                 |                 |
| <b>Sub-total</b>   | <b>(46,419)</b>                 | <b>(54,547)</b> |
| Advance Payment of Pension Contributions                         | 4,138                           | 1,939           |
| <b>Net liability arising from the defined benefit obligation</b> | <b>(42,281)</b>                 | <b>(52,608)</b> |

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

In April 2020, the Council made an advance payment of pension contributions for 2020/21 to 2022/23 to the Pension Fund to secure a reduction in the amount of each of the three financial years. Greater detail is provided later in the note under the heading 'Impact on the Authority's cashflows'.

|  |  | Local Government Pension Scheme |                 | Discretionary Benefits |                 |
|--|--|---------------------------------|-----------------|------------------------|-----------------|
|  |  | 2021/22<br>£000                 | 2020/21<br>£000 | 2021/22<br>£000        | 2020/21<br>£000 |
| Opening fair value of scheme assets  |  | 93,024                          | 74,738          | 0                      | 0               |
| Interest income  |  | 1,875                           | 1,920           | 0                      | 0               |
| Remeasurement gain/(loss):   |  |                                 |                 |                        |                 |
| the return on plan assets, excluding the amount included in the net interest expense |  | 0                               | 16,420          | 0                      | 0               |
| Contributions from employer  |  | 2,540                           | 2,349           | 131                    | 135             |
| Contributions from employees into the scheme   |  | 670                             | 688             | 0                      | 0               |
| Benefits/transfers paid  |  | (3,136)                         | (3,051)         | (131)                  | (135)           |
| Administration costs   |  | (39)                            | (40)            | 0                      | 0               |
| <b>Closing value of scheme assets</b>  |  | <b>94,934</b>                   | <b>93,024</b>   | <b>0</b>               | <b>0</b>        |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

|  | Local Government Pension Scheme |                  | Discretionary Benefits |                 |
|--|---------------------------------|------------------|------------------------|-----------------|
|  | 2021/22<br>£000                 | 2020/21<br>£000  | 2021/22<br>£000        | 2020/21<br>£000 |
| <b>Opening balance at 1 April</b>      | (145,688)                       | (123,169)        | (1,883)                | (1,831)         |
| Current service cost                   | (3,986)                         | (3,243)          | 0                      | 0               |
| Interest cost                          | (2,914)                         | (2,928)          | (38)                   | (43)            |
| Contributions from scheme participants | (670)                           | (688)            | 0                      | 0               |
| Remeasurement (gains) and losses:      |                                 |                  |                        |                 |
| Experience (gains/losses)              | (354)                           | 2,457            | (5)                    | 43              |
| Financial Assumptions (gains/losses)   | 2,546                           | (21,168)         | 20                     | (187)           |
| Demographic Assumptions (gains/losses) | 1,091                           | 0                | 13                     | 0               |
| Past service cost                      | (35)                            | 0                | 0                      | 0               |
| Benefits/transfers paid                | 2,874                           | 3,051            | 131                    | 135             |
| <b>Balance as at 31 March</b>          | <b>(147,136)</b>                | <b>(145,688)</b> | <b>(1,762)</b>         | <b>(1,883)</b>  |

### Local government pension scheme assets comprised:

All scheme assets have quoted prices in active markets.

|                                  | Fair value of scheme assets |                    |
|----------------------------------|-----------------------------|--------------------|
|                                  | 31/03/2022<br>£000          | 31/03/2021<br>£000 |
| <b>Cash and cash equivalents</b> |                             |                    |
| <b>Equities:</b>                 |                             |                    |
| UK quoted                        | 106                         | 111                |
| Overseas quoted                  | 23,246                      | 28,539             |
| PIV - UK managed                 | 13,082                      | 12,659             |
| PIV - UK managed (overseas)      | 37,950                      | 35,979             |
| PIV - Overseas managed           | 757                         | 111                |
| <b>Sub-total equity</b>          | <b>75,141</b>               | <b>77,399</b>      |
| <b>Bonds:</b>                    |                             |                    |
| UK Corporate                     | 0                           | 0                  |
| Overseas Corporate               | 0                           | 0                  |
| Other Corporate                  | 1,338                       | 1,573              |
| UK Government Fixed              | 1,538                       | 0                  |
| Overseas Government              | 0                           | 0                  |
| <b>Sub-total bonds</b>           | <b>2,876</b>                | <b>1,573</b>       |
| <b>Property:</b>                 |                             |                    |
| European Property Fund           | 0                           | 1,793              |
| UK Property Debt                 | 661                         | 359                |
| Overseas Property Debt           | 441                         | 269                |
| UK Property Funds                | 4,185                       | 1,882              |
| Overseas REITs                   | 0                           | 89                 |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Sub-total property</b>          | <b>5,287</b>  | <b>4,392</b>  |
| <b>Alternatives</b>                |               |               |
| UK Infrastructure                  | 4,473         | 3,653         |
| European Infrastructure            | 2,982         | 2,597         |
| US Infrastructure                  | 2,485         | 1,948         |
| UK Stock Options                   | 398           | 325           |
| Overseas Stock Options             | (199)         | 81            |
| Corporate Private Debt             | 1,491         | 1,055         |
| <b>Sub-total alternative funds</b> | <b>11,630</b> | <b>9,659</b>  |
| <b>Total assets</b>                | <b>94,934</b> | <b>93,023</b> |

### Basis for estimating assets and liabilities.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

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

|   | Local Government Pension Scheme |         | Discretionary Benefits Arrangements |         |
|---|---------------------------------|---------|-------------------------------------|---------|
|   | 2021/22                         | 2020/21 | 2021/22                             | 2020/21 |
| <b>Mortality assumptions:</b>                 |                                 |         |                                     |         |
| <i>Longevity at 65 current pensioners:</i>    |                                 |         |                                     |         |
| Men   | 22.6                            | 22.7    | 22.6                                | 22.7    |
| Women   | 25.0                            | 25.1    | 25.0                                | 25.1    |
| <i>Longevity at 65 for future pensioners:</i> |                                 |         |                                     |         |
| Men   | 24.1                            | 24.4    | 24.1                                | 24.4    |
| Women   | 27.0                            | 27.1    | 27.0                                | 27.1    |
| <b>Financial assumptions:</b>                 |                                 |         |                                     |         |
| Rate of inflation                             | 3.3%                            | 2.7%    | 3.3%                                | 2.7%    |
| Rate of increase in salaries                  | 4.8%                            | 4.2%    | 4.8%                                | 4.2%    |
| Rate of increase in pensions                  | 3.4%                            | 2.8%    | 3.4%                                | 2.8%    |
| Discount Rate                                 | 2.8%                            | 2.1%    | 2.8%                                | 2.1%    |

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### Impact on the Authority's cashflows

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

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

In April 2020, the Council made an advanced payment to Worcestershire Pension Fund for the deficit payment due 2020/21 to 2022/23, and 90% of the expected pension contributions for current employees for the same period. The total payment was £6.251m. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E2. Financial Instruments

|                                    | Current     |            |               |              |               |              | Non-Current |            |            |            |            |            |
|------------------------------------|-------------|------------|---------------|--------------|---------------|--------------|-------------|------------|------------|------------|------------|------------|
|                                    | Investments |            | Debtors       |              | Total         |              | Investments |            | Debtors    |            | Total      |            |
|                                    | 31/03/2022  | 31/03/2021 | 31/03/2022    | 31/03/2021   | 31/03/2022    | 31/03/2021   | 31/03/2022  | 31/03/2021 | 31/03/2022 | 31/03/2021 | 31/03/2022 | 31/03/2021 |
|                                    | £000        | £000       | £000          | £000         | £000          | £000         | £000        | £000       | £000       | £000       | £000       | £000       |
| <b>Financial Assets</b>            |             |            |               |              |               |              |             |            |            |            |            |            |
| Cash and Cash Equivalents          | 0           | 0          | 2,473         | 2,853        | 2,473         | 2,853        | 0           | 0          | 0          | 0          | 0          | 0          |
| Loans and Receivables              | 0           | 0          | 9,810         | 4,953        | 9,810         | 4,953        | 0           | 0          | 0          | 330        | 0          | 330        |
| Fair Value through profit and loss | 0           | 0          | 0             | 0            | 0             | 0            | 0           | 0          | 0          | 0          | 0          | 0          |
| Amortised cost                     | 0           | 0          | 0             | 0            | 0             | 0            | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total Financial Assets</b>      | <b>0</b>    | <b>0</b>   | <b>12,283</b> | <b>7,806</b> | <b>12,283</b> | <b>7,806</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>330</b> | <b>0</b>   | <b>330</b> |
| Non-Financial Assets               | 0           | 0          | 0             | 0            | 0             | 0            | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total</b>                       | <b>0</b>    | <b>0</b>   | <b>12,283</b> | <b>7,806</b> | <b>12,283</b> | <b>7,806</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>330</b> | <b>0</b>   | <b>330</b> |

|                                    | Current    |            |                 |                 |                 |                 | Non-Current |            |            |            |            |            |
|------------------------------------|------------|------------|-----------------|-----------------|-----------------|-----------------|-------------|------------|------------|------------|------------|------------|
|                                    | Borrowing  |            | Creditors       |                 | Total           |                 | Borrowing   |            | Creditors  |            | Total      |            |
|                                    | 31/03/2022 | 31/03/2021 | 31/03/2022      | 31/03/2021      | 31/03/2022      | 31/03/2021      | 31/03/2022  | 31/03/2021 | 31/03/2022 | 31/03/2021 | 31/03/2022 | 31/03/2021 |
|                                    | £000       | £000       | £000            | £000            | £000            | £000            | £000        | £000       | £000       | £000       | £000       | £000       |
| <b>Financial Liabilities</b>       |            |            |                 |                 |                 |                 |             |            |            |            |            |            |
| Carried at Contract amount         | 0          | 0          | (676)           | (6,481)         | (676)           | (6,481)         | 0           | 0          | 0          | 0          | 0          | 0          |
| Fair Value through profit and loss | 0          | 0          | 0               | (23)            | 0               | (23)            | 0           | 0          | 0          | 0          | 0          | 0          |
| Amortised Cost                     | 0          | 0          | 0               | (4,500)         | 0               | (4,500)         | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total Financial Liabilities</b> | <b>0</b>   | <b>0</b>   | <b>(676)</b>    | <b>(11,004)</b> | <b>(676)</b>    | <b>(11,004)</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |
| Non-Financial Liabilities          | 0          | 0          | (48,587)        | (48,527)        | (48,587)        | (48,527)        | 0           | 0          | 0          | 0          | 0          | 0          |
| <b>Total</b>                       | <b>0</b>   | <b>0</b>   | <b>(49,263)</b> | <b>(59,531)</b> | <b>(49,263)</b> | <b>(59,531)</b> | <b>0</b>    | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   |

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

#### Credit Risk

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

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

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

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

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Interest Rate Risk

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

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

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

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2021/22, the Council had no variable long-term investments or borrowings.

### Price Risk

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

## E4. Leases

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

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

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

### The Authority as Lessee – Finance Leases

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

Lease payments are apportioned between:

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

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

The Council has no finance leases.

### Operating Leases

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

The Authority has entered into an agreement for a lease of land to operate a car park at Market Place, Bromsgrove which became operational in 2017/18. The future minimum lease payments due under operating leases in future years are set out below:

|   | 2021/22<br>£000 | 2020/21<br>£000 |
|---|-----------------|-----------------|
| Minimum lease rentals payable:              |                 |                 |
| No later than 1 year                        | 25              | 25              |
| Later than 1 year and no later than 5 years | 100             | 100             |
| Later than 5 years                          | 127             | 152             |
| <b>Total</b>                                | <b>252</b>      | <b>277</b>      |

### The Authority as a Lessor – Finance Leases

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Lease rentals receivable is apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of the rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

The Council has no finance leases.

### Operating Leases

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

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

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

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

|   | 2021/22<br>£000 | 2020/21<br>£000 |
|---|-----------------|-----------------|
| Minimum lease rentals payable:              |                 |                 |
| No later than 1 year                        | 63              | 63              |
| Later than 1 year and no later than 5 years | 234             | 234             |
| Later than 5 years                          | 40              | 93              |
| <b>Total</b>                                | <b>337</b>      | <b>390</b>      |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E5. Accounting Policies

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by the International Financial Reporting Standards (IFRS).

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

#### Summary of Significant Accounting Policies

##### i) Revenue and Expenditure Recognition

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

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

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

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

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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

### ii) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### Accounting for Council Tax and NDR

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

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

### vi) Employee Benefits

#### Benefits Payable During Employment

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

#### Termination Benefits

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

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

#### Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

#### The Local Government Pension Scheme

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
  - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

### Discretionary Benefits

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

### vii) Events after the Balance Sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

### viii) Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

### ix) Financial Instruments

#### Financial Liabilities

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

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

Financial assets are classified into the following categories:

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Financial Assets at Amortised Cost

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

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

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

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

### Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account

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

### Impairment

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

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevents default.

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### x) Government Grants and Contributions

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

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

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

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

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

### xi) Heritage Assets

#### **Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)**

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

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

### xii) Intangible Assets

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

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **xiii) Interests in Companies and Other Entities**

An assessment of the Council's interests has been carried out in accordance with the CIPFA Code of Practice to determine a group relationship exists. Inclusion in the group is dependent upon the extent of the Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in the entity or representation on an entity's board of directors, and materiality. Accounts are prepared on a single entity basis with the Statement of Group Accounts representing the position for the Council and its subsidiary. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

### **xiv) Inventories and Long-Term Contracts**

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

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

### **xv) Joint Operations**

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

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

### **xvi) Materiality**

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

### **xvii) Property, Plant and Equipment**

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

#### **Recognition**



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

### Impairment

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows and structure).
- Vehicles, plant and equipment – straight-line over the useful life, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years.

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

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

### Disposals and Non-Current Assets Held for Sale

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

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

### xix) Reserves

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

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

### xx) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

### xxi) Shared Services

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

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

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

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

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

### xxii) Value Added Tax (VAT)

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

## E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note E5**, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are outlined below.

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to prove an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision. The Council holds earmarked General Fund reserves of £13.858m and a General Fund Balance of £14.235m.

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

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material, the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in **Note G1**. All other notes relate to the Council rather than the Group.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20 May 2020, which ruled that Automated Teller Machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose-built General Practice (GP) Surgeries, where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after 31 March 2020 but full provision is made in the provision for business rate appeals as at 31 March 2021. The level of the 2017 rating list provision for appeals has released £0.916m. Previously the Council held £1.251m of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in **Note D5**.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcestershire Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities was 40%.

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

### **E7. Accounting Standards not yet adopted.**

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

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

IFRS 16 Leases – the amendment requires Local Authorities who are lessees to recognise leases on the Balance Sheet as right of use assets with a corresponding lease liability. As yet, the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

### **E8. Assumptions made about the future and other major sources of estimation uncertainty.**

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

### **E9. Related Parties**

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

#### **Central Government**

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

(e.g. Council tax bills, housing benefits). Grants received from government departments are set out in **Note B8**.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2021/22 is shown in **Note B6**.

Many Bromsgrove District Councillors are also County Councillors and / or elected members of the Parish Council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has entered a contract with BDHT for the provision of homelessness services and is also part of the Worcestershire wide choice-based lettings housing allocations service. Bromsgrove paid to Bromsgrove District Housing Trust £0.304m for the homelessness service.

### Officers

There were no disclosures made by officers in 2021/22.

### Entities Controlled or Significantly Influenced by the Authority

As part of the shared services with Redditch Borough Council, Bromsgrove paid £3.912m (£3.238m in 2020/21) for Redditch hosted services and received £7.022m (£6.457m in 2020/21) for services hosted at Bromsgrove.

The Councils has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £0.349m to Wyre Forest District Council for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £0.155m from Wyre Forest.

For the provision of Car Park services, the Council paid £0.243m to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £0.061m to Worcester City Council.

As host of Worcestershire Regulatory Shared Service, Bromsgrove has received £0.410m from Malvern Hills District Council, £0.484m from Wyre Forest District Council, £0.745m from Wychavon District Council, £0.530m from Worcester City Council and £0.562m from Redditch Borough Council.

As at 31 March 2021, the following amounts were owed to the partners of shared services:

|                                | £000 |
|--------------------------------|------|
| Worcester City Council         | 149  |
| Redditch Borough Council       | 166  |
| Wychavon District Council      | 178  |
| Wyre Forest District Council   | 133  |
| Malvern Hills District Council | 102  |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

|                                | £000 |
|--------------------------------|------|
| Worcester City Council         | 144  |
| Redditch Borough Council       | 0    |
| Wychavon District Council      | 27   |
| Wyre Forest District Council   | 53   |
| Malvern Hills District Council | 23   |

These balances have been included within the relevant debtor and creditor balances.

From June 2016, Worcestershire County Council withdrew from Worcester Regulatory Services.

### E10. Events after the Balance Sheet date

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

In April 2020, an upfront payment of £6.251m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2021/21 to 2022/23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

### E11. Contingent Assets

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

There are no contingent assets as at 31 March 2022.

### E12. Contingent Liabilities

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

There are no contingent liabilities as at 31 March 2022.



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### F1. Cash and Cash Equivalents

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

|                        | 2021/22<br>£000 | 2020/21<br>£000 |
|------------------------|-----------------|-----------------|
| Cash and Bank balances | 2,473           | 2,853           |
| Short Term Investments | 0               | 0               |
| <b>Total</b>           | <b>2,473</b>    | <b>2,853</b>    |

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

|  | 2021/22<br>£000 | 2020/21<br>£000 |
|--|-----------------|-----------------|
| Depreciation   | 2,413           | 2,064           |
| Impairment & downward valuations   | 0               | 1,069           |
| Amortisation   | 0               | 107             |
| (Increase)/Decrease in Debtors   | 4,857           | (2,273)         |
| Increase/(Decrease) in Creditors   | (10,328)        | (53)            |
| Increase in Inventories  | 280             | (20)            |
| Movement in pension liability  | 60              | 3,866           |
| Other items charged to the net surplus or deficit on provision of services | 8,415           | 1,367           |
| <b>Total</b>   | <b>5,698</b>    | <b>6,127</b>    |

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

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

### F4. Investing Activities

|  | 2021/22<br>£000 | 2020/21<br>£000 |
|--|-----------------|-----------------|
| Purchase of PP&E, investment property and intangible assets                  | (6,796)         | (2,225)         |
| Other Payments for Investing Activities                                      | 0               | (4,834)         |
| Proceeds from Short Term Investments (not considered to be cash equivalents) | 0               | 2,000           |
| Other Receipts from Investing Activities                                     | 0               | (4,332)         |
| <b>Net Cash flows from Investing Activities</b>                              | <b>(6,796)</b>  | <b>(9,391)</b>  |



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### F5. Financing Activities

|  | 2021/22<br>£000 | 2020/21<br>£000 |
|--|-----------------|-----------------|
| Cash Receipts from Short and Long Term Borrowing | 23,500          | 27,500          |
| Repayment of Short and Long Term Borrowing       | (23,500)        | (27,750)        |
| Other payments for Financing Activities          | 0               | 35              |
| <b>Net Cash flows from Financing Activities</b>  | <b>0</b>        | <b>(215)</b>    |

## GROUP ACCOUNTS

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### GROUP ACCOUNTS

#### G1. Nature of the relationship between the Council and Bromsgrove Arts Development Trust

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

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

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

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

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

The annual income of c£100k is below the threshold required for Group accounts to be produced.

# COLLECTION FUND

## COLLECTION FUND

### H1. The Collection Fund Statement

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

Due to the Collection Fund accounting treatment, the deficit on the fund will not be passed to the Council's General Fund until 2022/23 and later years. The Government have confirmed that the in-year deficit on the Collection Fund in 2021/22 can be spread over three years from 2022/23 to 2024/25.

| 2020/21         |                 |                 | Collection Fund   | 2021/22         |                 |                 |
|-----------------|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| Business Rates  | Council Tax     | Total           |   | Business Rates  | Council Tax     | Total           |
| £000            | £000            | £000            |   | £000            | £000            | £000            |
|                 |                 |                 | <b>INCOME</b>   |                 |                 |                 |
|                 | (69,955)        | (69,955)        | Council Tax Receivable  |                 | (72,736)        | (72,736)        |
| (14,927)        |                 | (14,927)        | Business Rates Receivable   | (21,056)        |                 | (21,056)        |
| <b>(14,927)</b> | <b>(69,955)</b> | <b>(84,882)</b> | <b>Total amounts to be credited</b>   | <b>(21,056)</b> | <b>(72,736)</b> | <b>(93,792)</b> |
|                 |                 |                 |   |                 |                 |                 |
|                 |                 |                 | <b>EXPENDITURE</b>  |                 |                 |                 |
|                 |                 |                 | <b>Apportionment of Previous Year Surplus/Deficit</b>   |                 |                 |                 |
| 761             |                 | 761             | Central Government  | (4,896)         |                 | (4,896)         |
| 343             | 245             | 588             | Bromsgrove District Council   | (4,378)         | (36)            | (4,414)         |
| 1,062           | 1,247           | 2,309           | Worcestershire County Council   | 721             | (184)           | 537             |
| 22              | 83              | 105             | Hereford and Worcestershire Fire and Rescue   | (86)            | (12)            | (98)            |
|                 | 214             | 214             | Police and Crime Commissioner for West Mercia   |                 | (32)            | (32)            |
|                 |                 |                 | <b>Precepts, demands and shares</b>   |                 |                 |                 |
| 12,524          |                 | 12,524          | Central Government  | 12,858          |                 | 12,858          |
| 10,019          | 9,436           | 19,455          | Bromsgrove District Council   | 10,287          | 9,717           | 20,004          |
| 2,254           | 48,783          | 51,037          | Worcestershire County Council   | 2,314           | 49,972          | 52,286          |
| 250             | 3,200           | 3,450           | Hereford and Worcestershire Fire and Rescue   | 257             | 3,260           | 3,517           |
|                 | 8,379           | 8,379           | Police and Crime Commissioner for West Mercia   |                 | 8,932           | 8,932           |
|                 |                 |                 | <b>Charges to Collection Fund</b>   |                 |                 |                 |
| 0               | 0               | 0               | Write-offs of uncollectable amounts   | (5)             | (3)             | (8)             |
| 165             | 400             | 565             | Increase allowance for impairment   | 10              | 156             | 166             |
| 1,930           |                 | 1,930           | Increase/(decrease) in allowance for appeals  | (2,290)         |                 | (2,290)         |
| 195             |                 | 195             | Transitional Protection Payments Payable  | 44              |                 | 44              |
|                 |                 |                 | <b>Payments to General Fund</b>   |                 |                 |                 |
| 127             |                 | 127             | Payment to General Fund for allowable collection costs for non-domestic rates and disregarded | 187             |                 | 187             |
| <b>29,652</b>   | <b>71,987</b>   | <b>101,639</b>  | <b>Total amounts to be debited</b>  | <b>15,023</b>   | <b>71,771</b>   | <b>86,795</b>   |
|                 |                 |                 |   |                 |                 |                 |
| <b>14,725</b>   | <b>2,032</b>    | <b>16,757</b>   | <b>(Surplus) / deficit arising during the year</b>  | <b>(6,033)</b>  | <b>(965)</b>    | <b>(6,998)</b>  |
|                 |                 |                 |   |                 |                 |                 |
| (4,493)         | (1,553)         | (6,046)         | (Surplus)/deficit b/f at 1 April  | 10,231          | 479             | 10,710          |
|                 |                 |                 |   |                 |                 |                 |
| <b>10,232</b>   | <b>479</b>      | <b>10,711</b>   | <b>(Surplus) / deficit c/f as 31 March</b>  | <b>4,200</b>    | <b>(485)</b>    | <b>3,715</b>    |

# COLLECTION FUND

## H2. Council Tax Income

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

### 2021/22

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

Adjustment 0.99

Council tax base 37,209.01

| Band |                   | Valuation band limits |   |         | Calculated number of dwellings | Adjusted number of dwellings | Ratio to Band D | Equated number of dwellings | Council Tax Payable |
|------|-------------------|-----------------------|---|---------|--------------------------------|------------------------------|-----------------|-----------------------------|---------------------|
|      |                   | £                     |   | £       |                                |                              |                 |                             |                     |
|      |                   |                       |   |         | 6.00                           | 1.80                         | 5/9             | 1.00                        | 129.44              |
| A    | Up to & including | 40,000                |   |         | 3,727.00                       | 2,001.70                     | 6/9             | 1,334.47                    | 155.33              |
| B    |                   | 40,001                | - | 52,000  | 7,312.00                       | 5,546.30                     | 7/9             | 4,313.79                    | 181.22              |
| C    |                   | 52,001                | - | 68,000  | 9,058.00                       | 7,655.50                     | 8/9             | 6,804.89                    | 207.11              |
| D    |                   | 68,001                | - | 88,000  | 7,887.00                       | 7,026.50                     | 9/9             | 7,026.50                    | 233.00              |
| E    |                   | 88,001                | - | 120,000 | 7,042.00                       | 6,555.00                     | 11/9            | 8,011.67                    | 284.78              |
| F    |                   | 120,001               | - | 160,000 | 3,738.00                       | 3,526.30                     | 13/9            | 5,093.54                    | 336.56              |
| G    |                   | 160,001               | - | 320,000 | 2,876.00                       | 2,736.00                     | 15/9            | 4,560.00                    | 388.33              |
| H    | More Than         |                       |   | 320,001 | 339.00                         | 328.60                       | 18/9            | 657.20                      | 466.00              |

Adjustment 0.99

Council tax base 37,425.03

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

## COLLECTION FUND

|   | 2021/22         | 2020/21         |
|---|-----------------|-----------------|
|   | £               | £               |
| Bromsgrove District Council                                 | 249.15          | 228.00          |
| Worcestershire County Council                               | 1,343.83        | 1,311.05        |
| Police and Crime Commissioner for West Mercia               | 240.19          | 225.20          |
| Hereford and Worcestershire Fire and Rescue                 | 87.68           | 85.99           |
| <b>Total Council Tax for non parish areas</b>               | <b>1,920.85</b> | <b>1,850.24</b> |
| Parish Councils (Average)                                   | 27.23           | 25.28           |
| <b>Average Council Tax for the District in parish areas</b> | <b>1,948.08</b> | <b>1,875.52</b> |

### H3. Non-Domestic Rates

Non-domestic rates are organised on a local basis. The Government specifies a rate poundage, and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2021/22, the rate poundage was 51.2p (no change to 2020/21). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note H1.

The total rateable value at 31 March 2022 was £68,057,817 (£68.512m 2020/21).

For 2021/22, the Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which is why there is no precept amount reflected in the Collection Fund Statement.

# ANNUAL GOVERNANCE STATEMENT

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## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

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

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

### The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

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

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Committees operated by the Council.
- Terms of reference for member working groups (e.g., Scrutiny Task Groups) are clearly defined.
- Council has approved financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.

## ANNUAL GOVERNANCE STATEMENT

- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chair and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council.
- Robust financial management arrangements were limited during the year due to the implementation of a new financial management system in February 2021. Although processes were in place in relation to online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation, the Council was not able to undertake regular financial monitoring until Period 11. This is reflected in the Improvement plan later in this section.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2021/22.
- The Constitution clearly defines the roles of Monitoring Officer, S151 Officer and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

### Review of Effectiveness

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

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

Throughout 2021/22, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

### Audit, Governance and Standards Committee

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

# ANNUAL GOVERNANCE STATEMENT

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## Internal Audit

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

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

During 2021/22 the Internal Audit team delivered a comprehensive programme including:

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

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

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

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

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

## Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. These include that this committee on the 9 November 2022 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. There were also five key recommendations in the Draft 2020/21 External Audit Report:

- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.
- The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Corporate Plan and related strategic objectives, allowing Members to scrutinize performance. This should be done at least twice a year.
- The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standard item on the Audit, Standards and Governance Committee's agenda, with members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.



# ANNUAL GOVERNANCE STATEMENT

- The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.

In response to these issues

- The Council has put in place a Financial Recovery process which is reported twice a year to the Cabinet and the Audit Standards and Governance Committee now meet six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council's accounts are up to date.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions.
- A review of the issues behind the issuing of the S24 Statement was commissioned through an Audit Task Group and these wider recommendations, including Governance and support requirements agreed by Council in the summer of 2023.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 71.

## Conclusion and Evaluation

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

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

Signed .....

Date 4 December 2024

Signed .....

Date 4 December 2024

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

# INTERNAL AUDITORS' REPORT

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## INTERNAL AUDITORS' REPORT 2021/22

### Head of Internal Audit Opinion

Audit Opinion and Commentary 2021/22 Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2021/22 was a very challenging year regarding the control environment in certain areas of the Council. Changes in the way services needed to be delivered and staff deployed saw a continuance of remote working as there continued to be an emergence from the Covid-19 pandemic. A significant number of staff leaving the Authority was also experienced which created its own challenges within certain Services e.g. Finance. The loss of staff and experience along with the implementation of a new financial system resulted in a very challenging environment. Appropriate and proportionate remote access to files and systems remained in place to ensure services could continue to be delivered during the second year of the pandemic.

### **Overall Governance Conclusion**

Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2021/22 managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2021/22 will be critical to create better transparency, expectations and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation has introduced some risks into the financial areas of the Council which have been identified as part of the audit reviews e.g. a lack of budget monitoring, no reconciliations being undertaken, and limited assurance reported against several review areas including Debtors and budget monitoring. Procurement also was reported with a limited assurance. The identified risks need to be mitigated as part of the action plans to be deployed to address the identified control, weaknesses.

### **Risk Management Conclusion**

The Head of Internal Audit can confirm the further development of the formal risk management system has not progressed as well as expected in the organisation under the direction of the previous Financial and Customer Services Manager with a view to achieving a better embedded approach in the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. This has been acknowledged by the current Executive Director of Finance and Resource (£151k Officer) and a strategy agreed and launched at CMT on the 16th March 2022. The Interim Head of Financial and Customer Services is now championing risk management. A specific piece of audit work that was undertaken regarding the formulation of an expected action returned a 'no assurance' categorisation as no action plan had been agreed prior to March 2022. This assurance was associated solely to the action plan that should have been formulated and delivered during 2021/22. Risk management is present in some form in Services and there are pockets of good practice but is not corporately coordinated to allow for a joined-up view of risk from a corporate perspective. The implementation of the March 2022 action plan has buy-in from the whole of the management team and will be monitored for progress and reported before Members in the future.

### **Audit Opinion**

The internal audit of Bromsgrove District Council's systems and operations during 2021/22 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 15 July 2021 and any subsequent revisions.

## INTERNAL AUDITORS' REPORT

The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms to CIPFA guidance, and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources

The Internal Audit Plan for 2021/22 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:

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

The 2021/22 internal audit plan saw a small revision due to changing circumstances. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

The results of 14 reviews were taken into consideration. Areas which returned a level of 'limited' or 'no' assurance included debtors, budget monitoring, risk management action plan and procurement.

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

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

There has been a wide spectrum of assurance applied to the reviewed areas during 2021/22. The implementation of the new finance system has created risk hotspots. This, along with a significant loss of experienced staff due to natural churn and areas of 'limited' or 'no' assurance reviews clearly identify certain areas in the organisation that requires immediate attention to mitigate risk. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. No critical friend reviews were undertaken during 2021/22. It is difficult to draw a comparison with the previous year results and corporate position due to the changing position regarding the recovery from the pandemic and the implementation of the new system which has impacted the whole organisation.

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

Andy Bromage  
Head of Internal Audit Shared Service  
Worcestershire Internal Audit Shared Service  
July 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Bromsgrove District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement<sup>1</sup> does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### Opinion on other matters required by the Code of Audit Practice

The Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:



# INDEPENDENT AUDITOR'S REPORT

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except:

On 31 October 2022 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to issues with financial systems and related financial governance arrangements. We recommended that the Authority should:

- ensure the Authority has access to the necessary knowledge and expertise to resolve the key issues with the Enterprise Resource Planning (ERP) system in a timely manner to provide sufficient assurance over the completeness and veracity of the data included within the systems;
- undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and
- ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals.

Once system issues are properly resolved, the Authority must:

- undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;
- produce the 2020/21 and 2021/22 draft financial statements, along with high quality working papers;
- conclude the 2020/21 and 2021/22 Revenue Outturn and Capital Outturn submissions, and other key Government returns include Whole of Government Accounts; and
- ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.

On 27 November 2023 we made a further written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. We recommended that the Authority should produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays.

## **Responsibilities of the Authority, the Director of Finance and Resources and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities for the Statement of Accounts, set out on page 11, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITOR'S REPORT

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Standards and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except:

- On 31 October 2022 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. The Authority had not been able to produce the draft statement of accounts for 2020/21 due to long-standing issues with its new ledger system which had resulted in delays. We made a written recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 relating to this significant weakness.  
  
On 27 November 2023 we made a further statutory written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to this significant weakness in governance and financial sustainability. These written recommendations are reported within 'Matters on which we are required to report by exception' section of this report. This significant weakness in arrangements remains in place for the year ended 31 March 2022.
- On 31 October 2022 we identified a further significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. An internal audit report from June 2019 identified a significant weakness in risk management arrangements and since that date, no formal update reports had been provided to Members nor had a Corporate Risk Register been presented. We recommended that the Authority review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions.



# INDEPENDENT AUDITOR'S REPORT

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During 2021/22, there was no formal risk reporting arrangements at the Authority. Therefore, the significant weakness in the Authority's arrangements remains in place for the year ended 31 March 2022.

- On 31 October 2022 we identified significant weakness in the Authority's governance arrangements for the year ended 31 March 2022. There were no clear budget monitoring activities undertaken during the 2021/22 financial year, with inadequate reporting being provided to Members with regards to the financial position of the Authority to allow Members to scrutinise, challenge and make properly informed decisions. We recommended that the Authority ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.
- On 31 October 2022 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for the year ended 31 March 2021. The last performance management report to Cabinet was 30 May 2018, which pre-dates the COVID-19 pandemic and decision makers were therefore unable to publicly monitor the Authority's performance and identify areas for improvement. We recommended that the Authority should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. During 2021/22, the Authority did not publish performance reports therefore the significant weakness in arrangements remains in place for the year ended 31 March 2022.
- On 31 October 2022 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for the year ended 31 March 2021. In June 2019, the Authority approved a contract for the implementation of a new financial ledger system. Significant issues remained 19 months after implementation with the cash receipting part of the system not functioning as intended. We recommended that the Authority improve management of key projects to ensure that expected benefits are realised. Actions were not implemented until the 2022/23 financial year and therefore this recommendation was also relevant to 2021/22.

## Responsibilities of the Authority

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

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and

## INDEPENDENT AUDITOR'S REPORT

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commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

### Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Bromsgrove District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

#### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Jackson Murray**

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

6 December 2024



# GLOSSARY

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## GLOSSARY

### AAA FITCH RATING

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

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

### AA FITCH RATING

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

### A FITCH RATING

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

### ACCOUNTING PERIOD

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

### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### ASSET

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

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

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

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

### BORROWING

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

### BUDGET

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

### CAPITAL EXPENDITURE

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

## GLOSSARY

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### **CAPITAL FINANCING**

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

### **CAPITAL PROGRAMME**

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

### **CAPITAL RECEIPT**

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

### **CLAW-BACK**

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

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

### **COLLECTION FUND**

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

### **COMMUNITY ASSETS**

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

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

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

### **CONSISTENCY**

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

### **CONTINGENT ASSET**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

### **CORPORATE AND DEMOCRATIC CORE**

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

## GLOSSARY

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### **CREDITOR**

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

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

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

### **DEBTOR**

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

### **DEFINED BENEFIT PENSION SCHEME**

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

### **DEPRECIATION**

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

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

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

### **EQUITY**

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

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

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

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

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

### **FAIR VALUE**

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

### **FINANCE LEASE**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS**

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

### **HOUSING BENEFITS**

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

## GLOSSARY

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

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

### **IMPAIRMENT**

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

### **INFRASTRUCTURE ASSETS**

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

### **INTANGIBLE ASSETS**

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

### **INTEREST COST (PENSIONS)**

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

### **INVESTMENTS (PENSION FUND)**

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

### **LIABILITY**

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

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

### **LIQUID RESOURCES**

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

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

### **LONG-TERM CONTRACT**

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

### **MATERIALITY**

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

### **MINIMUM REVENUE PROVISION (MRP)**

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

### **NET BOOK VALUE**

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

## GLOSSARY

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### **NET DEBT**

The Authority's borrowings less cash and liquid resources.

### **NON-DISTRIBUTED COSTS**

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

### **NON-DOMESTIC RATES (NDR)**

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

### **NON-OPERATIONAL ASSETS**

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

### **OPERATING LEASE**

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

### **OPERATIONAL ASSETS**

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

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

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

### **PENSION SCHEME LIABILITIES**

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

### **PRECEPT**

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

### **PRIOR YEAR ADJUSTMENT**

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

### **PROVISION**

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

### **PUBLIC WORKS LOAN BOARD (PWLb)**

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

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

## GLOSSARY

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

### RELATED PARTY TRANSACTIONS

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

### REMUNERATION

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

### RESERVES

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

### RESIDUAL VALUE

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

### RETIREMENT BENEFITS

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

### REVENUE EXPENDITURE

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

### REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

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

### REVENUE SUPPORT GRANT

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

### STOCKS

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

### TEMPORARY BORROWING

Money borrowed for a period of less than one year.

### TRUST FUNDS

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

### USEFUL ECONOMIC LIFE (UEL)

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

### WORCESTERSHIRE PENSION FUND (WPF)

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