



RUGBY BOROUGH COUNCIL

STATEMENT of ACCOUNTS 2012/2013



CLEAN, GREEN, SAFE

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CHIEF FINANCIAL OFFICER'S REPORT

Explanatory Foreword

The annual Financial Statements summarise Rugby Borough Council's affairs for 2012/13 have been prepared in accordance with the **Code of Practice on Local Authority Accounting (the Code)** issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012 and seek to present a true and fair view of the transactions and financial position of Rugby Borough Council for the year ended **31st March 2013**.

Financial Statements

The **Comprehensive Income and Expenditure Statement** shows revenue income and expenditure for all Council services during the year and reflects the extent to which these activities have been financed from Government grants, local Taxpayers and rents from Council Tenants. The layout shown is that required by the Code and by the Service Reporting Code of Practice, which allows comparability between local authorities within the 'Whole of Government Accounts' produced by Central Government.

The surplus or deficit achieved on this account represents the amount by which income is greater or less than expenditure in the year and is measured, using the same accounting conventions that a large (unlisted) company would use in preparing its annual audited accounts.

The total comprehensive income and expenditure may be very different from the movement on the General Fund (GF) and HRA balances owing to capital accounting entries and charges for financing capital expenditure, as well as including contributions required to fully fund the Council's liability to the employees' pension fund, rather than the actual amounts paid in the year.

It should therefore be noted that:

- Any substantial surplus on the account does not necessarily mean that the authority has resources available to increase spending or reduce Council Tax or Rents.
- Any substantial deficit on the account does not necessarily mean that immediate action is needed to cut expenditure or raise Council Tax or Rents.

At the end of 2012/13 the total comprehensive net expenditure was **£4.937m (£58.205m 2011/12)**.

The 2012/13 net deficit/surplus (-) on provision of services for the GF and HRA respectively is **£5.022m** and **£-4.485m**, however these amounts are adjusted within the **Movement in Reserves Statement** to identify the actual increase/decrease for the year. Adjustments and transfers totalling **£5.287m** have been made resulting in **£461,500** being added to General Fund balances and a contribution of **£4.289m** to HRA balances.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year. The opening position for the year was **£1.268m** and the closing position was **£1.729m**.

The opening position for **HRA balances** was **£1.882m** and the closing position was **£6.171m**. Further information is provided within the supplementary statement for the HRA. This Statement shows operational income and expenditure on Council house services including the management and the repair and maintenance of housing stock as

well as income from service charges and rent collected from Council Tenants. Details of the year-end position on the HRA are shown on the next page.

The Balance Sheet shows the overall financial position of the Council at 31st March 2013 for all activity, including the Housing Revenue Account and the Collection Fund. At the end of 2012/13 the total value of the Council's reserves was **£64.260m**.

The Movement in Reserves Statement summarises the changes that have taken place in the bottom half of the Balance Sheet over the financial year.

The Cash Flow Statement summarises the inflows and outflows of cash arising from Council transactions with third parties, for revenue and capital purposes.

The Council has changed the format of its Cash Flow Statement in 2012/13 to the direct method, which lists all major classes of cash inflows and outflows generated by operating 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. To assist with comparators, the Cash Flow Statement for 2011/12 has been restated using the direct method also.

A further supplementary statement for **The Collection Fund** is also shown, which includes transactions relating to Council Tax and Non-Domestic Rates (NDR). Rugby Borough Council is responsible for collecting local taxes on behalf of Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire, Parish Councils and the Borough Council itself, these are all accounted for within the Collection Fund, which had a closing deficit balance as at 31st March 2013 of **£334,830**.

Further details relating to particular accounts are provided in the **Notes to the Accounts**, which follow the core financial statements. However of particular note is the following:

Retirement Benefits

In accordance with International Accounting Standard 19 'Employee Benefits' (IAS 19), **Note 20** sets out the Council's assets and liabilities in respect of the Local Government Pension scheme. The net deficit shown as at 31st March 2013 is **£30.693m**, which is approximately 45% of the market value of the assets. Whilst this deficit does not have to be met immediately from the Council's reserves, action must be taken over a period of years to eliminate it.

Monitoring against Budgets

Rugby Borough Council is still being affected by the current economic climate and this has been reflected in the 2012/13 accounts.

During the year the Council received good news regarding the Icelandic investments made with the failed banks Landsbanki hf (£1m) and Glitnir hf (£2m). 100% of deposits from both banks will be returned along with relevant interest on the Glitnir hf investment only. Interest on the Landsbanki hf investment may be realised at a future date, though at this stage it is unknown. By the end of March 2013 approximately 1/2 of the Landsbanki hf investment had been received and approximately 3/4 of the Glitnir hf investment.

Details of the end of year position for 2012/13 can be found within the Quarter 4 Outturn Finance and Performance Monitoring Report which was presented to Cabinet on 24th June 2013 for both revenue and capital. However the following provides a brief summary of the outturn position for General Fund and HRA revenue and capital:

General Fund (GF) Revenue Spending in 2012/13

The Council's actual General Fund net revenue expenditure was £11,041,030 at outturn compared to a revised approved budget of £11,134,200 resulting in an underspend for the year of £93,170. In addition to this underspend, officers have requested to carry forward a further £130,650 of unspent 2012/13 budgets into 2013/14.

In addition to this, at budget setting on 23rd February 2012, a net budgeted contribution to General Fund balances of £138,600 was approved. During the year various budget adjustments have been approved resulting in a further net contribution to balances of £99,350.

Taking account of the underspend, a total £461,500 is to be added to General Fund balances for the year. Should the carry forward request be approved a net figure of £330,850 would be added to balances.

Some of the main reasons for the budget variances;

- Savings identified throughout the year, including significant savings on utilities and support services.
- A surplus compared to budget on the Council's interest on balances, largely resulting from the foreign exchange rate gain and interest earned relating to the Icelandic investments.
- Additional income from the Council's cemeteries.
- Underspends on Customer Information Services primarily due to high levels of staff turnover within the service.

Housing Revenue Account (HRA) Spending in 2012/13

The original budget (9th February 2012) was set to leave HRA balances unchanged. During the year **£99,270** of additional budgets were also approved, to be taken from balances.

A net underspend of **£4,317,840** (before the requested approval of budget carry forwards into 2013/14 totalling £70,000) resulted in a total of **£4,218,570** being added to balances at the end of the financial year. The main reasons for this underspend are;

- Repayment of debt – deferral of voluntary set aside whilst HRA business plan is reviewed in light of housing and economic growth agenda
- Reduced utility costs following a review of billing and metering by Corporate Property Services (this includes one-off refunds)
- Increased income from rents whilst property due for demolition was utilised for temporary homeless housing (net of void provision)

Capital Expenditure in 2012/13

Capital expenditure results in the creation or improvement of property, plant or equipment. The benefits of such spending last for more than one year. In 2012/13 Capital expenditure amounted to **£14,350,930**. The original budget of **£14,442,610** was subsequently revised to **£18,796,260**, to include projects brought forward from 2011/12.

The following summary shows the level of capital expenditure by Portfolio:

Portfolio:	Expenditure £'000
Sustainable Inclusive Communities	4,132
Sustainable Environment	1,314
Resources and Corporate Governance	919
Economy, Development and Culture	7,986
	14,351

The total *net* underspend was **£4,445,330** and of the *gross* amount, **£4,602,090** has been carried forward to 2013/14 capital budgets on continuing projects. Details of the schemes are provided within the Quarter 4 Outturn Finance and Performance Monitoring Report 2012/13, however, below is a list of some of the larger underspends:

£1,848,610	Queen's Diamond Jubilee Leisure Centre
£850,230	Crematorium Project
£343,970	Vehicle Purchases
£304,580	Corporate Property Enhancements
£293,230	Fire Risk Assessment (Housing Stock)
£181,680	Vehicle Workshop Extension
£116,640	Disabled Facilities Grants

Service Revenue Accounts are also affected by the implications of capital expenditure in the form of depreciation. Depreciation is a charge which represents the writing down of an asset over its useful life to reflect the use the service has obtained from it. In addition, where appropriate, officer time spent on capital projects is financed from capital resources (capitalised) rather than revenue.

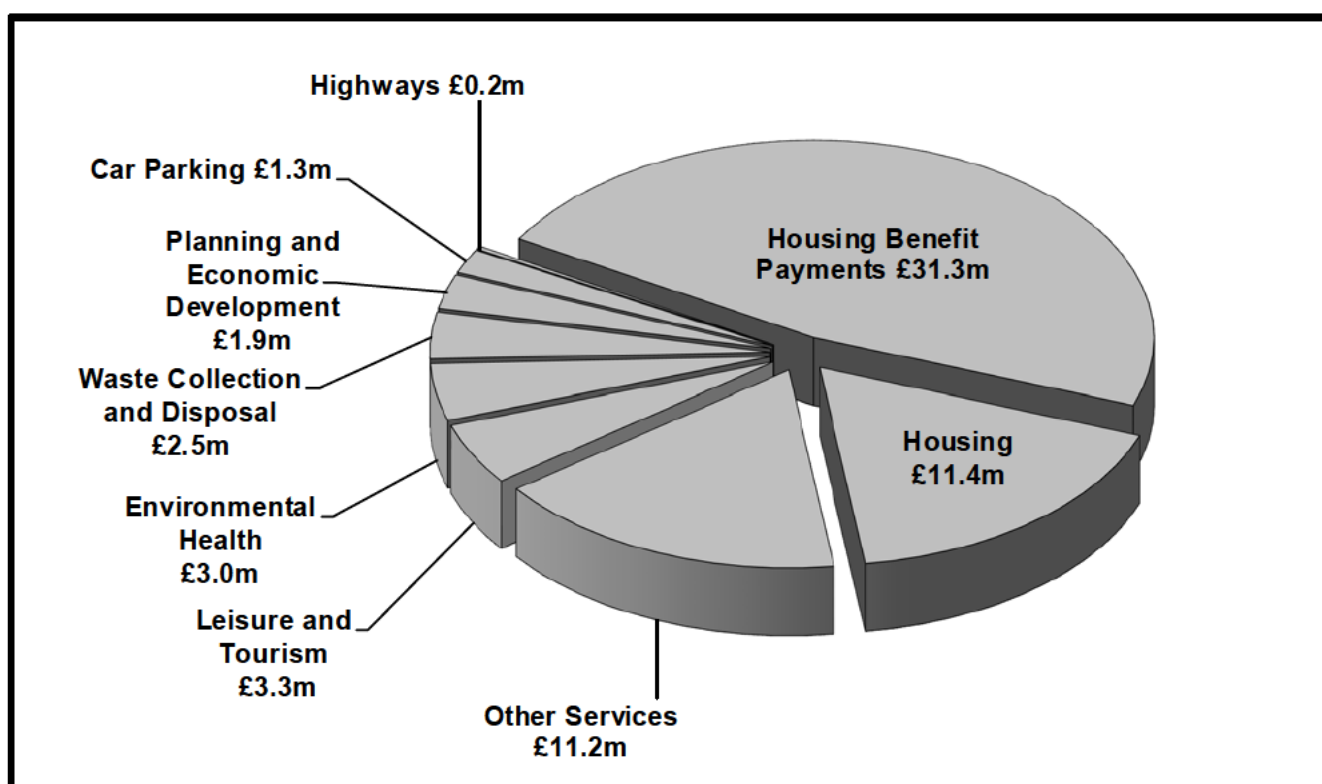
Capital expenditure is financed from both internal and external resources and **Notes 24 and 37** provide a summary of the sources, including external funding. The main internal resource for capital expenditure is Capital Receipts or Capital Balances (made up from revenue contributions towards capital expenditure).

The following information shows a summary of revenue spending, divided between all our different services compared with the income received by the Council as a whole.

COUNCIL SERVICES 2012/13

How the money was spent (gross expenditure):

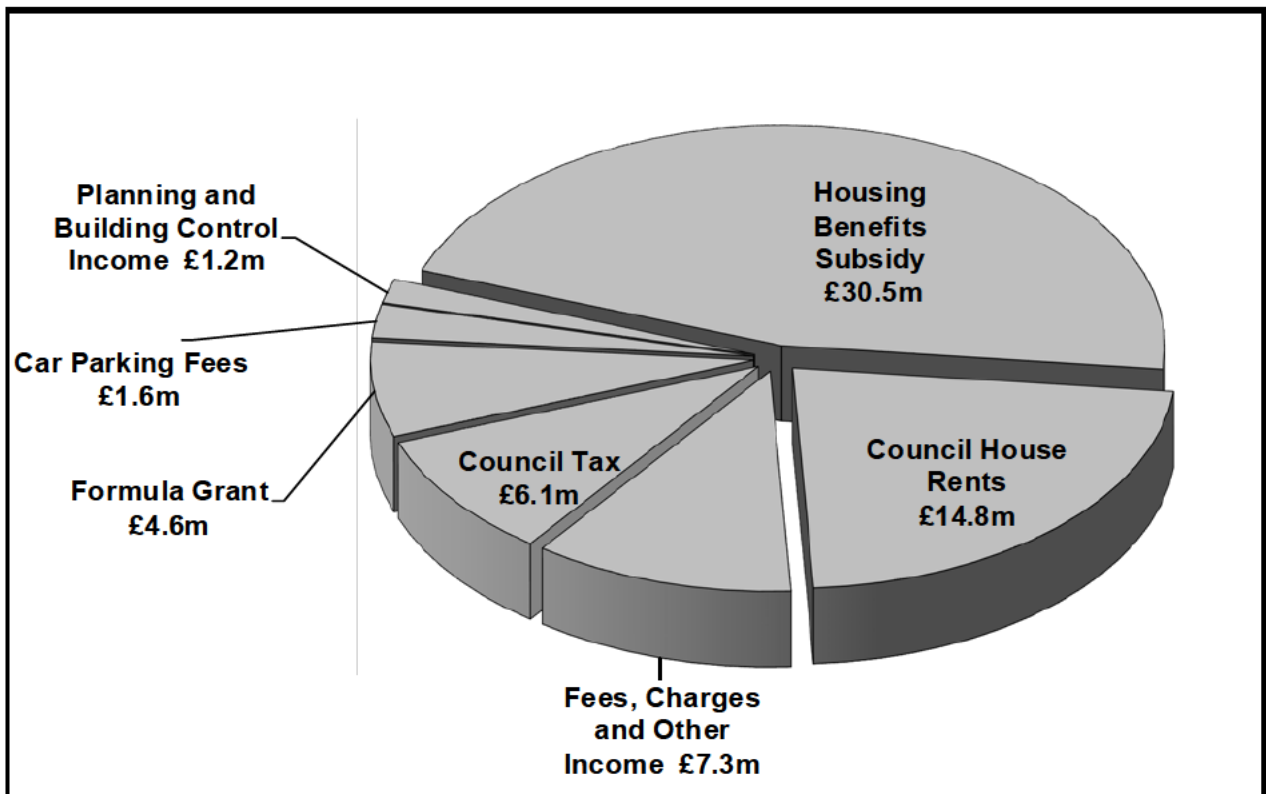
	£'000	%
Housing Benefit Payments		
<i>Rent Allowances and Council Tax Benefits</i>	31,240	47.1
Housing		
<i>Council Housing, Aged Persons Accommodation, Rent Rebates, Homelessness, Renovation Loans</i>	11,445	17.3
Other Services		
<i>Town Centre Management and CCTV, Borough Elections, Land Charges, Mayoral Services, Council Tax Collection, Grants and amounts added to balances</i>	11,158	16.9
Leisure and Tourism		
<i>Parks, Recreation Grounds and Open Spaces, Allotments, The Ken Marriott Leisure Centre, The Art Gallery and Museum, The Benn Hall, Visitors Centre</i>	3,344	5.1
Environmental Health		
<i>Protective Health Services, Street Cleansing, Cemeteries, Public Conveniences, Water Courses</i>	3,055	4.7
Waste Collection and Disposal	2,527	3.8
Planning and Economic Development		
<i>The Borough Local Plan, Environmental Planning, Building Control, Economic Development</i>	1,875	2.8
Car Parking	1,317	2.0
Highways	168	0.3
<i>Pedestrianised Areas, Street Furniture, Maintenance of Verges and Street Trees</i>		
	66,129	100.0



COUNCIL SERVICES 2012/13

Where the money came from (gross income):

	£'000	%
Housing Benefits Subsidy <i>Paid by Central Government to finance local Housing Benefit Payments</i>	30,521	46.1
Council House Rents	14,822	22.4
Fees, Charges and Other Income	7,273	11.0
Council Tax	6,117	9.3
Formula Grant (Includes Business Rates & Revenue Support Grant) <i>Paid by Central Government to support local spending</i>	4,615	7.0
Car Parking Fees	1,620	2.4
Planning and Building Control Income	1,161	1.8
	66,129	100.0



Included within Fees, Charges and Other Income are other revenue grants mainly received from Central Government or other Government agencies.

STATEMENT OF ACCOUNTING POLICIES

General

'The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of **31 March 2013**. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under Section 12 of the 2003 Local Government Act.

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.'

Changes in Accounting Treatment

The International Accounting Standards Board (IASB) has amended *IFRS 7 Financial Instruments Disclosures*, but the changes to IFRS 7 have no impact on the accounting policies of the Council, the financial position of the Council and the disclosures required in this Statement of Accounts.

Accounting Policies follow and describe the basis of accounting adopted by the Council.

Where relevant in the accounts, equivalent figures for the previous year have been shown for comparative purposes and notes have been included to give further information.

Accounting Policies

Accruals of Income and Expenditure

The Council's revenue and capital accounts are maintained on an accruals basis by including sums due to or from the Council in the year, whether or not monies have actually been received or paid during the year. This concept is not applied to electricity and gas supplies and routine on-going business expenses. However, the accounts do reflect twelve months' supply in each year and this does not have a material effect on the accounts.

Where income 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 (bad debts).

Borrowing Costs

The Council has adopted a policy of capitalising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset when it is probable that they will result in future economic benefits or service potential and the costs can be measured reliably. Other borrowing costs will be recognised as an expense in the period in which they are incurred.

Borrowing costs are the interest and other costs that the Council incurs in connection with the borrowing of funds. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset the Council determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that asset during the period less any investment income on the temporary investment of those borrowings.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council will determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate will be the weighted average of borrowing costs that are outstanding during the period other than borrowings made specifically for the purposes of obtaining a qualifying asset.

Cash and Cash Equivalents

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

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

Council Tax

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and national non-domestic rates. The Fund's key features relevant to the accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors (Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire) and itself.
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. 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.

Any amounts which are owed from/to the major preceptors are recorded as debtors/creditors within the balance sheet as appropriate.

Further details can be found on p2 and p77-79.

Exceptional Items

These are material items arising from events or transactions that fall within the ordinary activities of the Council. They are either included in the cost of service to which they relate, or separately on the face of the Comprehensive Income & Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

Prior Year Adjustments

These constitute material adjustments applicable to prior years which may arise from changes in accounting policies or from the correction of material errors. They are accounted for by restating the comparative figures for the preceding period in the statement of accounts and notes and by adjusting the opening balance of reserves for the cumulative effect, as if the new policy had always applied.

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 salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year.

Termination Benefits

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

Pension Benefits

The cost of providing pensions for employees within the defined benefit Local Government Pension Scheme, administered by Warwickshire County Council, is charged to the accounts in accordance with International Accounting Standard 19 'Employee Benefits'. This policy reflects the requirement to account for retirement benefits when the fund is committed to give them, even if the payment may be many years in the future. Assets in the defined benefit pension scheme are valued at bid price rather than mid-market value. For details see **Note 20** to the Accounts.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. All actuarial gains and losses on the Pension Fund's liabilities and assets are recognised in Other Comprehensive Income and Expenditure.

Discretionary Benefits

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

Estimation Techniques

Where estimations are made within the accounts, the appropriate methodology has been chosen to arrive at the estimated amounts which reflect, as closely as possible, the economic reality of the transactions represented. An example of this is the 'useful economic life' used for calculating depreciation for property plant and equipment.

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 is authorised for issue. Two types of event can be identified;

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

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

Financial Instruments

Financial Liabilities (e.g. Borrowing)

Financial liabilities are initially measured at fair value and carried on the Balance Sheet at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument. For most borrowings that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

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

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the Council has made, this means that the amount presented 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Soft Loans

Soft loans are loans made to third parties at preferential rates of interest below market rates. The Code requires the fair value of soft loans to be estimated at the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

Although the Council issues soft loans to employees in respect of car loans, no adjustment has been made to the accounts to reflect the requirements of the Code on the grounds that the balance of loans outstanding is immaterial. In addition, an exercise undertaken recently shows the interest rates offered by the Council are comparative with those available in the market.

Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants or 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 or Taxation and Non Specific Grant line in the Comprehensive Income & 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 Grant Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Hedge Accounting

In accordance with the Code, the Council will apply Hedge Accounting on a transaction by transaction basis.

The Council will carry out hedging activities, from time to time, to limit its exposure to different financial risks, such as interest rate risk. These activities commonly consist of entering into a forward dated contract with a counterparty to eliminate or limit risk. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

A hedging relationship that qualifies for hedge accounting will be recognised when the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Council's risk management objective and strategy for undertaking the hedge. The documentation will include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- For a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is assessed on an on-going basis and determined actually to have been effective throughout its life.

Cash Flow Hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in comprehensive income and any ineffective portion is recognised immediately in the income statement. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in comprehensive income are recognised in the income statement.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from property, plant, and equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites
- Civic Regalia

Definition

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental, or historical significance.

Recognition and Measurement

The Code requires Councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex.

Where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Where information on cost or value is not available *and* the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset will not be recognised on the Balance Sheet. An appropriate disclosure is made where heritage assets are not recognised in the Balance Sheet.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Depreciation, Amortisation and Impairment

In accordance with the Code, depreciation is not required on heritage assets which have indefinite lives. However, this treatment is not extended to other assets where depreciation would need to be charged in accordance with the Council's policy on depreciation unless the recoverable amount of the asset exceeded the carrying amount, or the long asset life meant that any depreciation would not be material.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments (see Accounting Policies).

Intangible Fixed Assets

Intangible assets are defined as assets that do not have physical substance but are identifiable and controlled by their owner. Normal examples are those of software or software licences, which have a value, but over a fairly short life of 3 –10 years and are therefore written down over that useful life.

Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Property

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

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

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

Leases

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

Where a lease covers both land and buildings, the land and building 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. This definition includes rental agreements, contract hire and licences.

The Council as Lessee

Finance leases

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

In 2012/13 the Council held one finance lease for which the asset recognised had no matching liability as detailed in **Note 31** to the Accounts.

Operating leases

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

The Council as Lessor

Finance leases

The Council as lessor did not hold any finance leases in 2012/13.

Operating leases

Where the Council grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Credits are made on a straight-line basis over the life of the lease (where rental income is in excess of £10,000 p.a.), even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset (if material) and charged as an expense over the lease term on the same basis as the rental income.

National Non-Domestic Rates

The Council collects NNDR on an agency basis on behalf of the Government.

All cash collected from NNDR taxpayers is paid over to the Government with the exception of any cash relating to the cost of collection (e.g. recovery costs), which is accounted for as the Council's income within the Comprehensive Income & Expenditure Statement.

Amounts which are owed to/from the Government as at the balance sheet date are recorded as debtors/creditors within the balance sheet as appropriate.

Further details can be found on p77-79.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costings principles of the CIPFA Service Reporting Code of Practice 2012/13 (**SeRCOP**). The full cost of overheads and support services are shared between users in proportion to the benefits received (internal recharges), with the exception of;

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

These two costs are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

Property, Plant and Equipment

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

Recognition

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

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the accounts and the assets are fully depreciated within the year.

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This includes assets such as the Benn Hall and the John Barford Car Park.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Details of the latest valuations are provided in **Note 9**. Land and building assets under £10,000 are not revalued with the exception of investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains, or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation

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

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

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

Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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 useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

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

Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to old housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, Council Tax and Business Rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made these are charged to the provision carried in the Balance Sheet.

Contingent Assets and Liabilities

Any contingent liabilities or assets are not recognised as elements in the accounting statements as there is an uncertainty as to their timing and value, but are disclosed in a note, to show their nature and their possible financial effect on the accounts.

Redemption of Debt

The General Fund is required each year to make a prudent Minimum Revenue Provision (MRP) for the redemption of debt. The options for prudent provision are:

1. Regulatory method: For debt which is supported by the Government through the Formula Grant system authorities may continue to use the formulae in former regulations 28 and 29 of the 2003 Regulations.
2. Capital Financing Requirement (CFR) method: MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Options 1 and 2 may only be used in relation to capital expenditure incurred before 1 April 2008 or capital expenditure incurred on or after that date which the authority is satisfied forms part of its Supported Capital Expenditure (the term for most forms of central government support for local authority capital expenditure from 1 April 2004.) This authority has made use of Option 2 in all provisions relating to capital expenditure incurred before 1 April 2008.

For all expenditure incurred on or after 1 April 2008 (which does not form part of the authority's Supported Capital Expenditure) prudent approaches include the following options:

3. Asset Life method: using either the equal instalment formula (a series of equal annual amounts over the estimated life of the asset) or the annuity formula (linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years).
4. Depreciation method.

The Council (as noted in the Treasury Management Strategy) will make use of the most appropriate method relevant to the expenditure incurred when making provision for debt redemption.

There is no equivalent requirement for the Housing Revenue Account, but voluntary contributions may be made towards debt repayment.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund/ HRA Balances 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 & Expenditure Statement. The equivalent proportion reserve is then transferred 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 useable resources for the Council; these are explained in the relevant policies or notes.

Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non-current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. In the main this relates to expenditure on disabled facilities grants and other home improvement loans. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax

VAT is included in service revenue or capital income and expenditure accounts when it is not recoverable.

Accounting Standards that have been issued but not yet adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. It also requires an authority to 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 by the Code for the relevant financial year. The standards that the requirements of the Code are likely to apply to are:

IAS 19 *Employee Benefits* (June 2011 Amendments) Changes to IAS 19 come into effect for the financial year to 31 March 2014. The new standard includes the requirement to recognise changes in the net defined benefit (liability), enhanced disclosures, modification of accounting for termination benefits, and clarification of miscellaneous issues. The effect of the change to IAS 19 on the Comprehensive Income & Expenditure statement to 31 March 2013 will be an increase in expenditure of £418,000. This will be disclosed in the 2013/14 Financial Statements and the changes will be adopted retrospectively for the prior year, in accordance with IAS 8.

IFRS 7 *Financial Instruments Disclosures—Offsetting Financial Assets and Liabilities* (December 2011 Amendments) Changes to IFRS 7 come into effect for the financial year to 31 March 2014. The new disclosure requirements include information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the authority's financial position. This includes the effect or potential effect of rights of set-off associated with the authority's recognised financial assets and recognised financial liabilities. No financial assets or financial liabilities recognised in the authority's balance sheet as at 31st March 2013 fall within these categories.

Critical Judgements in Applying Accounting Policies

There were no critical judgements made during the preparation of these accounts which would materially affect the information presented.

Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

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

<u>Item</u>	<u>Uncertainties</u>	<u>from Assumptions</u>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Warwickshire County Council to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £9,818,000. However, the assumptions interact in complex ways and the actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term.

As per our accounting policy, other estimation techniques are used for the purposes of producing these statements, however in the event of a change to any of the values, the difference would not result in a material change to these statements.

Additional information concerning the Council's accounts and budgetary procedures is available from Financial Services, Rugby Borough Council, P.O. Box 16, Town Hall, Rugby, CV21 2LA. Local electors also have a statutory right to inspect the accounts prior to audit, the date of which is advertised in the local press.

Copies of the audited Financial Statements may also be purchased from the Council for a nominal fee of £1 and their availability will be announced in the local press, as well as free publication on the Council's web site - www.rugby.gov.uk.

CHIEF FINANCIAL OFFICER - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and for one of its officers to be responsible for the administration of those affairs. In Rugby Borough Council, this is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for preparing Rugby Borough's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2013, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain.

CHIEF FINANCIAL OFFICER'S CERTIFICATION

I certify that I have prepared the accounts of the Council to comply with all legislative requirements and in accordance with the above Code of Practice.

I have:

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

Signed:



Adam Norburn
Chief Financial Officer

Date: 28th June 2013

Note 1 Prior Year Adjustments

In accordance with the Code, prior period errors must be corrected by retrospective restatement in the first financial statements issued following the discovery of the error. The error detailed in this note is not classed as a material error, however in the interests of transparency the adjustments have been shown below.

Rugby Borough Council discovered an error in the way in which housing land and property revalued for 2011/12 had been treated. This meant that service expenditure for services (Local Authority Housing) was overstated by £756,000. As this amount is not included in the statutory amounts required to be charged to the General Fund or Housing Revenue Account it has not had an impact upon balances brought forward.

During 2012/13 new capital accounting software was implemented, which is how the error came to light, during data migration. However new processes that are now in place since the software implementation mean this type of error will be identified early.

Comprehensive Income and Expenditure Statement

The fully restated Comprehensive Income and Expenditure Statement for 2011/12 is provided on page 25. The adjustments that have been made to that Comprehensive Income and Expenditure Statement compared to the version published in the 2011/12 Statement of Accounts are as follows:

	As Previously Stated 31 March 2012 £'000	As Restated 1 April 2012 £'000	Amount of Restatement £'000
Local Authorities Housing (HRA)	-675	-1,431	-756
Cost of Services	68,822	68,066	-756
Surplus (-) / Deficit on Provision of Services	55,062	54,306	-756
Surplus (-) / Deficit on Revaluation of Fixed Assets	-1,964	-1,208	756
Other Comprehensive Income and Expenditure	3,143	3,899	756
Total Comprehensive Income (-) and Expenditure	58,205	58,205	0

Movement in Reserves Statement – Usable Reserves 2011/12

The resulting restated Movement in Reserves Statement – Usable Reserves, as of 31 March 2012 is provided on page 31. The restatement of the relevant lines of the Movement in Reserves Statement – Usable Reserves, as of 31 March 2012 is presented in the table below:

Housing Revenue Account (HRA)

Net	As Previously Stated 31 March 2012 £'000	As Restated 1 April 2012 £'000	Amount of Restatement £'000
Surplus (-) /deficit on provision of services (accounting basis)	52,026	51,270	-756
Adjustments between accounting basis and funding basis under regulations	-53,798	-53,042	756

Movement in Reserves Statement – Unusable Reserves 2011/12

The resulting restated Movement in Reserves Statement, as of 31 March 2012 is provided on page 31. The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2012 is presented in the table below:

	<u>Revaluation Reserve</u>			<u>Capital Adjustment Account</u>		
	As Previously Stated 31 March 2012 £'000	As Restated 1 April 2012 £'000	Amount of Restatement £'000	As Previously Stated 31 March 2012 £'000	As Restated 1 April 2012 £'000	Amount of Restatement £'000
Other Comprehensive Income and Expenditure	-1,964	-1,208	756			
Adjustment between accounting basis and funding basis under regulations				58,593	57,837	-756
Increase / Decrease in year	-1,886	-1,130	756	58,360	57,604	-756
Balance at 31 March 2012 carried forward	-9,565	-8,809	756	-62,547	-63,303	-756

Balance Sheet

There has been no need to restate the Balance Sheet as at 31 March 2012 as the overall total of unusable reserves has not changed despite the adjustment of £756,000 between the Revaluation Reserve and the Capital Adjustment Account.

Cash Flow Statement

There has been no need to restate the Cash Flow Statement for 2011/12 as the movements within and between unusable reserves noted above are not cash adjustments.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement shows the economic cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), 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.

Restated				31st March 2013			
31st March 2012				31st March 2013			
Exp £'000	Inc £'000	Net £'000	Note	Exp £'000	Inc £'000	Net £'000	
16,089	-14,205	1,884	Central Services to the Public	15,558	-14,063	1,495	
5,106	-692	4,414	Cultural and Related Services	5,589	-989	4,600	
6,881	-1,603	5,278	Environmental and Regulatory Services	6,808	-1,500	5,308	
1,230	-1,241	-11	Highways and Transport Services	3,011	-1,639	1,372	
14,165	-15,596	-1,431	Local Authorities Housing (HRA)	11,209	-16,739	-5,530	
72,949	0	72,949	Exceptional cost HRA self financing	0	0	0	
-21,311	0	-21,311	Exceptional item full stock revaluation	0	0	0	
25,508	-24,011	1,497	Other Housing	26,674	-25,163	1,511	
3,258	-1,448	1,810	Planning Services	3,023	-1,590	1,433	
3,398	-1,345	2,053	Corporate and Democratic Core	3,117	-1,003	2,114	
934	0	934	Non-distributed Costs	306	0	306	
128,207	-60,141	68,066	Cost of Services	75,295	-62,686	12,609	
1,019	-164	855	Other Operating Expenditure	2	982	-542	440
5,407	-5,094	313	Financing and Investment Income and Expenditure	3	6,075	-4,226	1,849
0	-14,928	-14,928	Taxation and Non-specific Grant Income	4	0	-14,361	-14,361
		54,306	Surplus(-)/Deficit on Provision of Services			537	
		427	Gains(-)/Losses on Hedging Instruments			-37	
		-1,208	Surplus(-)/Deficit on Revaluation of Property, Plant and Equipment			-202	
		4,680	Actuarial Gains(-)/Losses on Pension Assets/Liabilities			4,639	
		3,899	Other Comprehensive Income(-) and Expenditure			4,400	
		58,205	Total Comprehensive Income(-) and Expenditure			4,937	

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 2 Other Operating Expenditure

Restated 2011/12 £'000	2012/13 £'000
619 Parish Council precepts	635
400 Payments to the Government Housing Capital Receipts Pool	347
-183 Other Income - Unattached Receipts	-66
19 Gains (-) /Losses on the disposal of non-current assets	-476
855 Total	440

Note 3 Financing and Investment Income and Expenditure

2011/12 £'000	2012/13 £'000
556 Interest payable and similar charges	1,951
527 Pension interest cost and expected return on pensions assets	791
-592 Interest receivable and similar income	-738
-213 Total net surplus(-)/deficit from Direct Service Organisation	-169
-25 Gains (-)/Losses on Investment Property Asset Transfer	-3
437 Loss on forward contract	37
-437 Transfer to Hedge Reserve	0
0 Exchange rate gain on Financial Assets	-30
60 Impairment of Financial Assets	10
313 Total	1,849

Note 4 Taxation and Non Specific Grant Incomes

2011/12 £'000	2012/13 £'000
-6,700 Council Tax income	-6,742
-4,045 Non Domestic Rates	-4,525
-2,738 Non-ringfenced Government grants	-1,964
-1,445 Capital grants and contributions	-1,130
-14,928 Total	-14,361

Note 5 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice (**SeRCOP**). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

Service Information (full disclosure)
For the year ended 31 March 2013

	REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES					
	Economy, Development & Culture	Resources & Corporate Governance	Sustainable Environment	Sustainable Inclusive Communities	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	-2,970	-16,437	-2,317	-877	-16,648	-39,249
Government grants	-125	-10	-16	-30,233	0	-30,384
Total Income	-3,095	-16,447	-2,333	-31,110	-16,648	-69,633
Employee expenses	2,110	8,127	1,503	1,035	1,601	14,376
Other operating expenses	2,533	6,319	5,183	30,951	9,954	54,940
Support Service Recharges	1,649	4,633	1,714	991	804	9,791
Total operating expenses	6,292	19,079	8,400	32,977	12,359	79,107
Net Expenditure	3,197	2,632	6,067	1,867	-4,289	9,474

For comparative information

Service Information (full disclosure)
For the year ended 31 March 2012

	REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES					
	Economy, Development & Culture	Resources & Corporate Governance	Sustainable Environment	Sustainable Inclusive Communities	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	-2,390	-16,007	-2,397	-820	-15,597	-37,211
Government grants	-142	-7	-51	-29,342	0	-29,542
Total Income	-2,532	-16,014	-2,448	-30,162	-15,597	-66,753
Employee expenses	2,099	7,698	1,484	1,042	1,518	13,841
Other operating expenses	2,193	5,826	5,125	29,996	13,195	56,335
Support Service Recharges	1,500	5,108	1,845	1,046	747	10,246
Total operating expenses	5,792	18,632	8,454	32,084	15,460	80,422
Net Expenditure	3,260	2,618	6,006	1,922	-137	13,669

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

Net expenditure in the Portfolio analysis	2011/12 £'000	2012/13 £'000
	13,669	9,474
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Portfolio analysis	54,397	3,135
Cost of services in the Comprehensive Income and Expenditure Statement	68,066	12,609

Reconciliation to Subjective Analysis

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

2012/13	Portfolio Analysis	Amounts not reported to management	Allocation of Recharges	Net cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	-39,249	0	10,453	-28,796	-169	-28,965
Interest and investment income	0	0	0	0	-4,024	-4,024
Income from council tax	0	0	0	0	-6,742	-6,742
Government grants and contributions	-30,384	-643	0	-31,027	-7,619	-38,646
Total Income	-69,633	-643	10,453	-59,823	-18,554	-78,377
Employee expenses	14,376	-133	0	14,243	0	14,243
Other service expenses	54,940	-506	0	54,434	0	54,434
Support Service recharges	9,791	0	-10,453	-662	0	-662
Depreciation, amortisation and impairment	0	4,417	0	4,417	17	4,434
Interest Payments	0	0	0	0	6,028	6,028
Precepts & Levies	0	0	0	0	635	635
Payments to Housing Capital Receipts Pool	0	0	0	0	347	347
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	-545	-545
Total Expenditure	79,107	3,778	-10,453	72,432	6,482	78,914
Surplus/deficit on the provision of services	9,474	3,135	0	12,609	-12,072	537
2011/12 - for comparative information						
	Portfolio Analysis	Amounts not reported to management	Allocation of Recharges	Net cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	-37,211	0	-11,007	-48,218	-213	-48,431
Interest and investment income	0	0	0	0	-4,419	-4,419
Income from council tax	0	0	0	0	-6,700	-6,700
Government grants and contributions	-29,542	-225	0	-29,767	-8,228	-37,995
Total Income	-66,753	-225	-11,007	-77,985	-19,560	-97,545
Employee expenses	13,841	78	0	13,919	0	13,919
Other service expenses	56,335	53,918	0	110,253	0	110,253
Support Service recharges	10,246	0	11,007	21,253	0	21,253
Depreciation, amortisation and impairment	0	626	0	626	60	686
Interest Payments	0	0	0	0	4,910	4,910
Precepts & Levies	0	0	0	0	619	619
Payments to Housing Capital Receipts Pool	0	0	0	0	400	400
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	-1,439	-1,439
Total Expenditure	80,422	54,622	11,007	146,051	4,550	150,601
Surplus/deficit on the provision of services	13,669	54,397	0	68,066	-15,010	53,056

Note 6 Grant Income

Rugby Borough Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/12 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income		
National Non-Domestic Rates	4,045	4,525
Revenue Support Grant	1,250	91
Housing Benefits Admin. Grant	689	677
Local Services Support Grant	71	71
New Homes Bonus*	507	821
Council Tax Freeze Grant	151	304
Transfer to Revenue of amounts held in perpetuity	70	0
Disabled Facilities Grant	62	0
Section 106 Capital funding	1,145	107
Contribution from Sustrans	100	356
Contribution from the Woodland Trust	0	97
Lottery Funding	73	50
Contribution from Warwickshire County Council	27	398
Energy Efficiency Grants - from Sustain	31	111
Other Grants	7	11
	8,228	7,619
Credited to Services		
Rent Allowances Subsidy	14,189	14,657
Rent Rebates Subsidy	8,768	9,209
Council Tax Benefits Subsidy	6,332	6,179
Welfare and Council Tax Reform	0	106
Safer and Stronger Communities Grant	35	15
Section 106 Revenue funding	19	155
Concessionary Travel Grant	29	0
Homelessness Grant	52	0
Positive Futures Grant	52	54
Discretionary Rate Allowance Subsidy	0	31
IEWM HIA funding Home Improvement Agency	39	56
Section 106 Capital funding	12	143
LPSA2 funding	0	110
Disabled Facilities Grant	192	269
Contribution from the Woodland Trust	0	64
Other Revenue Grants (under £25,000)	63	53
Other Capital Grants	0	9
	29,782	31,110

* £72,383 of New Homes Bonus Funding received in 2011/12 relates to funding received in advance for 2012/13.

The Council has received the following grants and contributions that have yet to be recognised as income as there are conditions attached to them that require the monies to be returned to the awarding body if unspent on relevant expenditure.

	2011/12 £'000	2012/13 £'000
Capital & Revenue Grants Receipts in Advance		
Section 106 Funding	727	1,352
LPSA2 Funding		353
Amounts held in perpetuity / specific reasons	146	146
Home Improvement Agency Funding	42	
Other Grants	48	61
	963	1,912

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'surplus or (deficit) on the provision of service' 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. These are different from the statutory amounts required to be charged to the General Fund (GF) Balance and Housing Revenue Account (HRA) for Council Tax setting and dwelling rent setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance and Housing Revenue Account (HRA) before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

MOVEMENT IN RESERVES STATEMENT

	<u>Usable Reserves (£'000)</u>								<u>Unusable Reserves (£'000)</u>								<u>(£'000)</u>	
	Housing								Financial	Collection							Total	
	General	Earmarked	Revenue	Earmarked	Capital	Major	Capital	Total	Instruments	Capital	Deferred	Fund	Accumulated			Total		
	Fund (GF)	GF	Account	HRA	Receipts	Repairs	Grants	Usable	Adjustment	Revaluation	Adjustment	Capital	Adjustment	Pension	Absences	Hedge	Unusable	Authority
Balance	Reserves	(HRA)	Reserves	Reserve	Reserve	Unapplied	Reserves	Account	Reserve	Account	Receipts	Account	Reserve	Account	Reserve	Reserves	Reserves	
Balance at 1st April 2011 restated brought forward	-1,153	-2,589	-1,745	-6,604	-5,066	-1,459	-166	-18,782	132	-7,679	-120,907	-60	9	19,757	128	0	-108,620	-127,402
Movement in reserves during 2011/12 - Restated																		
Surplus or (deficit) on provision of services (accounting basis)	3,036	0	51,270	0	0	0	0	54,306	0	0	0	0	0	0	0	0	0	54,306
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-1,208	0	0	0	4,680	0	427	3,899	3,899
Total Comprehensive Income and Expenditure	3,036	0	51,270	0	0	0	0	54,306	0	-1,208	0	0	0	4,680	0	427	3,899	58,205
Adjustments between accounting basis and funding basis under regulations (note 7)	-4,890	0	-53,042	0	381	-851	-62	-58,464	-133	0	57,837	6	26	699	29	0	58,464	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-1,854	0	-1,772	0	381	-851	-62	-4,158	-133	-1,208	57,837	6	26	5,379	29	427	62,363	58,205
Transfers to/from Earmarked Reserves (note 8)	1,739	-1,556	1,635	-1,635	0	-28	0	155	0	78	-233	0	0	0	0	0	-155	0
Increase/Decrease in year	-115	-1,556	-137	-1,635	381	-879	-62	-4,003	-133	-1,130	57,604	6	26	5,379	29	427	62,208	58,205
Restated Balance at 31 March 2012 carried forward	-1,268	-4,145	-1,882	-8,239	-4,685	-2,338	-228	-22,785	-1	-8,809	-63,303	-54	35	25,136	157	427	-46,412	-69,197

MOVEMENT IN RESERVES STATEMENT

	<u>Usable Reserves (£'000)</u>								<u>Unusable Reserves (£'000)</u>								<u>(£'000)</u>	
	Housing								Financial									
	General	Earmarked	Revenue	Earmarked	Capital	Major	Capital	Total	Instruments	Capital	Deferred	Fund	Accumulated	Total	Total			
	Fund (GF)	GF	Account	HRA	Receipts	Repairs	Grants	Usable	Adjustment	Revaluation	Adjustment	Capital	Adjustment	Pension	Absences	Hedge	Unusable	Authority
Balance	Reserves	(HRA)	Reserves	Reserve	Reserve	Unapplied	Reserves	Account	Reserve	Account	Receipts	Account	Reserve	Account	Reserve	Reserves	Reserves	Reserves
Balance at 1st April 2012 restated brought forward	-1,268	-4,145	-1,882	-8,239	-4,685	-2,338	-228	-22,785	-1	-8,809	-63,303	-54	35	25,136	157	427	-46,412	-69,197
Movement in reserves during 2012/13																		
Surplus or (deficit) on provision of services (accounting basis)	5,022	0	-4,485	0	0	0	0	537	0	0	0	0	0	0	0	0	0	537
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-202	0	0	0	4,639	0	-37	4,400	4,400
Total Comprehensive Income and Expenditure	5,022	0	-4,485	0	0	0	0	537	0	-202	0	0	0	4,639	0	-37	4,400	4,937
Adjustments between accounting basis and funding basis under regulations (note 7)	-5,576	-108	-1,123	0	382	-412	0	-6,837	1	0	5,908	10	6	917	-5	0	6,837	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-554	-108	-5,608	0	382	-412	0	-6,300	1	-202	5,908	10	6	5,556	-5	-37	11,237	4,937
Transfers to/from Earmarked Reserves (note 8)	93	-16	1,319	-1,319	0	-26	35	86	0	34	-120	0	0	0	0	0	-86	0
Increase/Decrease in year	-461	-124	-4,289	-1,319	382	-438	35	-6,214	1	-168	5,788	10	6	5,556	-5	-37	11,151	4,937
Restated Balance at 31 March 2013 carried forward	-1,729	-4,269	-6,171	-9,558	-4,303	-2,776	-193	-28,999	0	-8,977	-57,515	-44	41	30,692	152	390	-35,261	-64,260

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied / Earmarked GF Reserves	Total	Financial Instruments Adjustment	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total	
Adjustments involving the Capital Adjustment Account															
Reversal of Items DR/CR to the CIES															
Charges for Depreciation and impairment of non-current assets	-3,631	17,834					14,203		-14,203					-14,203	
Movements in the market value of Investment Properties	25						25		-25					-25	
Amortisation of intangible assets	-77	-5					-82		82					82	
Capital grants and contributions applied	468	30					498		-498					-498	
Revenue expenditure funded from capital under statute	-1,632	-142					-1,774		1,774					1,774	
Revenue expenditure funded from capital under statute - HRA settlement Payment		-72,949					-72,949		72,949					72,949	
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the C ES	-735	-625					-1,360		1,360					1,360	
Insertion of items not DR/CR to the CIES															
Statutory provision for the financing of capital investment	169						169		-169					-169	
Capital expenditure charged against the GF and HRA Balances		164					164		-164					-164	
Adjustments primarily involving the Capital Grants Unapplied Account															
Capital grant and contributions unapplied credited to the C ES	62						-62							0	
Adjustments primarily involving the Capital Receipts Reserve															
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the C ES	1,527			-1,527			0							0	
Use of the Capital Receipts Reserve to finance new capital expenditure				1,511			1,511		-1,511					-1,511	
Contribution from the Capital Receipts Reserve towards administrative cost of non-current asset disposal	-3			3			0							0	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-400			400			0							0	
Adjustments primarily involving the deferred Capital Receipts Reserve															
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the C ES				-6			-6		6					6	
Adjustments primarily involving the Major Repairs Reserve															
Reversal of Major Repairs Allowance credited to the HRA		2,609			-2,609		0							0	
Use of the Major Repairs Reserve to finance new capital expenditure					1,758		1,758		-1,758					-1,758	
Adjustments primarily involving the Financial Instruments Adjustment Account															
Amount by which finance costs charged to the C ES are different from finance costs chargeable in the year in accordance with statutory requirements		133					133		-133					-133	
Adjustments primarily involving the Pension Reserve															
Reversal of items relating to retirement benefits DR/CR to CIES	-1,977	-245					-2,222				2,222			2,222	
Employers pension contributions and direct payments to pensioners payable in the year	1,361	162					1,523					-1,523		-1,523	
Adjustments primarily involving the Collection Fund Adjustments Account															
Amount by which council tax income credited to the C ES is different from council tax income calculated in the year in accordance with statutory requirements	-26						-26				26			26	
Adjustment primarily involving Accumulated Absences Account															
Amount by which officer remuneration charged to the C ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-21	-8					-29						29	29	
Total Adjustments	-4,890	-53,042	0	381	-851	-62	-58,464	-133	57,837	6	26	699	29	58,464	

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Note 7: Adjustments Between Accounting Basis and Funding Basis Under Regulations 2012/13

	Usable Reserves (£'000)							Unusable Reserves (£'000)						
	General Fund Balance	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied / Earmarked GF Reserves	Total	Financial Instruments Adjustment	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account														
Reversal of Items DR/CR to the CIES														
Charges for Depreciation and impairment of non-current assets	-3,643	-4,279					-7,922		7,922					7,922
Movements in the market value of Investment Properties	3						3		-3					-3
Amortisation of intangible assets	-68	-4					-72		72					72
Capital grants and contributions applied	1,415	203					1,618		-1,618					-1,618
Revenue expenditure funded from capital under statute	-2,466	-241					-2,707		2,707					2,707
Revenue expenditure funded from capital under statute - HRA settlement Payment		0					0		0					0
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	-268	-620					-888		888					888
Insertion of items not DR/CR to the CIES														
Statutory provision for the financing of capital investment	164						164		-164					-164
Capital expenditure charged against the GF and HRA Balances		107					107		-107					-107
Adjustments primarily involving the Capital Grants Unapplied Account														
Capital grant and contributions unapplied credited to the CIES	108						-108	0						0
Adjustments primarily involving the Capital Receipts Reserve														
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the C ES	329	1,103		-1,432			0							0
Use of the Capital Receipts Reserve to finance new capital expenditure				1,476			1,476		-1,476					-1,476
Contribution from the Capital Receipts Reserve towards administrative cost of non-current asset disposal	-2			2			0							0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-346			346			0							0
Adjustments primarily involving the deferred Capital Receipts Reserve														
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the C ES				-10			-10		10					10
Adjustments primarily involving the Major Repairs Reserve														
Reversal of Major Repairs Allowance credited to the HRA		2,725			-2,725		0							0
Use of the Major Repairs Reserve to finance new capital expenditure					2,313		2,313		-2,313					-2,313
Adjustments primarily involving the Financial Instruments Adjustment Account														
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		-1					-1		1					1
Adjustments primarily involving the Pension Reserve														
Reversal of items relating to retirement benefits DR/CR to C ES	-2,280	-304					-2,584					2,584		2,584
Employers pension contributions and direct payments to pensioners payable in the year	1,485	182					1,667					-1,667		-1,667
Adjustments primarily involving the Collection Fund Adjustments Account														
Amount by which council tax income credited to the CIES is different from council tax income calculated in the year in accordance with statutory requirements	-6						-6				6			6
Adjustment primarily involving Accumulated Absences Account														
Amount by which officer remuneration charged to the C ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1	6					5						-5	-5
Total Adjustments	-5,576	-1,123	0	382	-412	-108	-6,837	1	5,908	10	6	917	-5	6,837

Note 8: Transfers to/from Earmarked Reserves 2011/12

	Usable Reserves (£'000)						Unusable Reserves (£'000)		
	General Fund Balance	Capital Grants Unapplied / Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Total	Revaluation Reserve	Capital Adjustment Account	Total
Transfer to Works Services Reserve	2	-2				0			0
Transfer to KMLC Reserve	4	-4				0			0
Transfer to/ from Unapplied Revenue & Capital Grants	21	-21				0			0
Transfer to New Homes Bonus Reserve	507	-507				0			0
Transfer to New Hardships Reserve	70	-70				0			0
Transfer to Section 106's	1,087	-1,087				0			0
Transfer to Major Repairs Reserve	28				-28	0			0
Transfer to other reserves	20	-20							
Capital Financing from Section 106's		155				155		-155	-155
Adjustment for current cost depreciation						0	59	-59	0
Adjustment for balance of gains on Revaluation Reserve						0	775	-775	0
Revenue Contributions towards Capital Expenditure						0			0
Transfer to Housing Repairs Account			316	-316					
Transfer to HRA Capital balances			1,319	-1,319		0			0
Total Adjustments	1,739	-1,556	1,635	-1,635	-28	155	834	-989	-155

Note 8: Transfers to/from Earmarked Reserves 2012/13

	Usable Reserves (£'000)						Unusable Reserves (£'000)		
	General Fund Balance	Capital Grants Unapplied / Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Total	Revaluation Reserve	Capital Adjustment Account	Total
Transfer to / from Works Services Reserve	-24	24				0			0
Transfer to KMLC Reserve	7	-7				0			0
Transfer to/ from Unapplied Revenue & Capital Grants	-15	50				35		-35	-35
Transfer to / from New Homes Bonus Reserve	-72	72				0			0
Transfer to Building Control Reserve	22	-22				0			0
Transfer to Section 106's	133	-133				0			0
Transfer from Publicity Reserve	-28	28				0			0
Transfer to Local Authority Mortgage Scheme Reserve	11	-11				0			0
Transfer to Major Repairs Reserve	26				-26	0			0
Transfer to Woodside Reserve	25	-25				0			0
Transfer to other reserves	8	-8							
Capital Financing from Section 106's		51				51		-51	-51
Adjustment for current cost depreciation						0	34	-34	0
Adjustment for balance of gains on Revaluation Reserve						0			0
Transfer to / from Housing Repairs Account			-57	57					
Transfer to HRA Capital balances			1,376	-1,376		0			0
Total Adjustments	93	19	1,319	-1,319	-26	86	34	-120	-86

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. 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 are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations".

31 March 2012 £'000		Notes	31 March 2013 £'000
147,738	Property, Plant & Equipment	9	144,206
3,948	Heritage Assets	11	5,017
1,673	Investment Property	9/10/12	585
0	Assets Held for Sale > 1 year	9	0
432	Assets under Construction	9	7,148
111	Intangible Assets	13	76
1,396	Long Term Investments	14	2,248
55	Long Term Advances	16	1,056
247	Long Term Debtors	17	203
155,600	Long Term Assets		160,539
4,675	Short Term Investments	14	17,604
389	Inventories	18	162
6,080	Short Term Debtors	17	6,248
11,379	Cash and Cash Equivalents	45	8,320
1,111	Assets Held for Sale < 1 year	9	196
23,634	Current Assets		32,530
-3,833	Short Term Borrowings	14	-6,275
-3,172	Short Term Creditors	19	-5,033
-7,005	Current Liabilities		-11,308
-76,933	Long Term Borrowing	14	-84,898
-25,136	Pension Liability Account	20	-30,693
-963	Capital/Revenue Grants Receipts in Advance	6	-1,910
-103,032	Long Term Liabilities		-117,501
69,197	Net Assets		64,260
22,785	Usable Reserves	See MIRS	28,999
46,412	Unusable Reserves	21	35,261
69,197	Total Reserves		64,260

Note 9 Movement of Property, Plant & Equipment, Investment Property, Assets Held for Sale & Assets under Construction

	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Investment Non-Operational assets	Assets under construction	Assets held for sale	Surplus Non-Operational assets	TOTAL
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	111,642	23,974	8,366	3,162	309	1,910	323	1,521	1,567	152,774
Additions	1,805	0	498	302	0	0	339	0	0	2,944
Derecognition -disposals	-216	0	-451	0	0	0	0	-477	-34	-1,178
Derecognition -other	-625	-14	0	0	0	0	0	0	0	-639
Reclassification	23	-1,602	0	0	0	-248	-230	62	1,563	-432
Revaluation increases/(decreases) recognised in the revaluation reserve	1,445	245	0	0	0	0	0	0	0	1,690
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	6,282	-1,400	0	0	0	0	0	5	-741	4,146
Other movements in cost or valuation	0	0	0	0	0	11	0	0	0	11
	120,356	21,203	8,413	3,464	309	1,673	432	1,111	2,355	159,316
Depreciation and impairments										
At 1 April 2011	-12,578	-1,453	-4,205	-275	-20	0	0	0	-5	-18,536
Charge for 2011/12	-1,717	-582	-830	-139	0	0	0	0	-20	-3,288
Derecognition -disposals	9	0	434	0	0	0	0	0	0	443
Derecognition -other	0	14	0	0	0	0	0	0	0	14
Reclassification	-11	119	0	0	0	0	0	0	-119	-11
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation & impairment	12,536	361	0	0	0	0	0	0	119	13,016
At 31 March 2012	-1,761	-1,541	-4,601	-414	-20	0	0	0	-25	-8,362
Balance Sheet at 31 March 2012	118,595	19,662	3,812	3,050	289	1,673	432	1,111	2,330	150,954
Balance Sheet at 1 April 2011	99,064	22,521	4,161	2,887	289	1,910	323	1,521	1,562	134,238
Nature of asset holding										
Owned	118,595	19,662	3,812	3,050	289	1,673	432	1,111	2,330	150,954

	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Investment Non-Operational assets	Assets under construction	Assets held for sale	Surplus Non-Operational assets	TOTAL
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	120,356	21,203	8,413	3,464	309	1,673	432	1,111	2,355	159,316
Additions	2,358	30	924	208	97	0	7,061	0	0	10,678
Derecognition -disposals	-594	0	-490	0	0	0	0	-44	0	-1,128
Derecognition -other	0	0	0	0	0	0	0	0	0	0
Reclassification	-83	836	35	6	249	-1,091	-275	-870	1,190	-3
Revaluation increases/(decreases) recognised in the revaluation reserve	-14	-888	0	0	0	0	0	0	32	-870
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	-4,234	-1,612	0	0	0	3	0	0	-277	-6,120
Other movements in cost or valuation	-48	0	0	0	0	0	-70	0	0	-118
	117,741	19,569	8,882	3,678	655	585	7,148	197	3,300	161,755
Depreciation and impairments										
At 1 April 2012	-1,761	-1,541	-4,601	-414	-20	0	0	0	-25	-8,362
Charge for 2012/13	-1,728	-446	-795	-174	0	0	0	-1	-19	-3,163
Derecognition -disposals	17	0	470	0	0	0	0	0	0	487
Derecognition -other	0	0	0	0	0	0	0	0	0	0
Reclassification	3	0	0	0	0	0	0	0	0	3
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	-30	-742	-6	0	0	0	0	0	-778
Other movements in depreciation & impairment	1,753	438	0	0	0	0	0	0	2	2,193
At 31 March 2013	-1,716	-1,579	-5,668	-594	-20	0	0	-1	-42	-9,620
Balance Sheet at 31 March 2013	116,025	17,990	3,214	3,084	635	585	7,148	196	3,258	152,135
Balance Sheet at 1 April 2012	118,595	19,662	3,812	3,050	289	1,673	432	1,111	2,330	150,954
Nature of asset holding										
Owned	116,025	17,990	3,214	3,084	635	585	7,148	196	3,258	152,135

Valuations

Council dwellings have been included on the basis of their valuation by an external professional valuer, Mr A George (MRICS) of George & Company Chartered Surveyors, as at 1st April 2011. All valuations (formal and desktop) are carried out on a 5 year rolling programme basis in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance).

In addition, as per last year, a desktop review was carried out in 2012/13 using house price indexation for the West Midlands to assess any general market changes in value. The result was a decrease in value of approximately £1.7m. This approach was reviewed by Mr A George (MRICS) of George & Company Chartered Surveyors, whose own data suggests a similar result to the reduction in values at a local level. Further to the potential issue with the varying shifts in value between flats and houses highlighted last year, Mr George notes that over the year the values between the different housing styles have again remained at a comparative level.

Other buildings and land owned by both the General Fund and the Housing Revenue Account (HRA) have also been valued on the basis of a five year rolling programme by the Council's contracted external valuer, Mr. P Mawson (FRICS) of Godfrey-Payton, Chartered Surveyors.

In March 2013 Mr. Mawson valued a number of properties for 2012/13 totalling £7.7m giving a land and buildings split, an estimated useful life and assuming a residual value for depreciation purposes. A further programme of valuations will continue in 2013/14 to maintain the five-year rolling programme.

Where the revaluations resulted in a lower value for assets than previously held, they were assessed for impairment. This resulted in a charge being made to the Comprehensive Income and Expenditure Statement where there were insufficient balances in the Revaluation Reserve. However it should be noted that this does not impact on Council Tax as this charge is reversed out through the Movement in Reserves Statement.

Each year guidance is sought from the Valuer in order to identify the appropriate bases for valuation; these are disclosed within the accounting policies in addition to the bases for depreciation calculations.

Impairment Losses

Impairments in the year totalled £0.8m following a review of asset compliance with our componentisation policy.

Note 10 Valuations of assets carried at current value

	Council dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infra-structure assets £'000	Community assets £'000	Investment non operational assets £'000	Assets under construction £'000	Assets held for sale £'000	Surplus non operational assets £'000	TOTAL £'000
Valued at historical cost		11	3,214	3,084	135		7,148			13,592
Valued at current cost in:										
2012/13	116,025	6,214			345	223		121	1,021	123,949
2011/12		9,048				25			893	9,966
2010/11		494							323	817
2009/10		1,190				25			796	2,011
2008/09		118				312		75	225	730
pre 2008/09		915			155					1,070
Total	116,025	17,990	3,214	3,084	635	585	7,148	196	3,258	152,135

The above statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The Council's housing stock was revalued as at 1st April 2011 by George & Co Surveyors, although a desktop exercise has been undertaken in 2012/13 by George & Co Surveyors to restate the asset values due to the market conditions.

Note 11 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	Art Collections £'000	Monuments & Statues £'000	Historic Sites / Buildings £'000	Civic Regalia £'000	Total Assets £'000
Cost or Valuation					
1 April 2011	3,056	671	24	61	3,812
Additions			112		112
Reclassifications			24		24
31 March 2012	3,056	671	160	61	3,948
Cost or Valuation					
1 April 2012	3,056	671	160	61	3,948
Additions					0
Reclassifications					0
Disposals					0
Revaluations	1,085			37	1,122
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-46			-3	-49
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-1				-1
Depreciation			-3		-3
31 March 2013	4,094	671	157	95	5,017

Art Collections

The Authority's collections of art work are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated annually. In 2012/13 the Rugby Art Collection was revalued by Sothebys. The collections include the following items:

- The Rugby Art Collection – 20th century and contemporary British art
- The Local Art Collection
- Andrew Varah Furniture
- Social History Collection – mainly donated artefacts
- Redding Collection – glass plate negatives

Monuments & Statues

- Echo sculpture (Caldecott Park)
- Water feature (Caldecott Park)
- Stone carved benches
- Frank Whittle Arch
- William Webb Ellis statue
- Rupert Brooke statue

Historic Sites / Buildings

- Great Central Walk
- Newbold Quarry
- Regent Place / Jubilee Gardens (site of Rugby Motte & Bailey Castle)

Civic Regalia

- Mayoral Badges of Office
- Mayoral & Councillor Robes
- Borough Mace
- Various Silverware items
- Various Ceramic items

In 2012/13 the Civic Regalia was revalued by David Barby.

Additions and Disposals of Heritage Assets

There were no new acquisitions or disposals of Heritage Assets in 2012/13.

Further Information on Art Gallery & Museum's Collections

The Rugby Art Collection

The Rugby Collection of 20th century and contemporary British art was established in 1946, and now holds more than 170 important paintings, drawings, prints and film works. The collection includes work by Eduardo Paolozzi, Stanley Spencer, Walter Sickert, Barbara Hepworth, Bridget Riley and L.S. Lowry. It is not on permanent display, but parts of it are shown every year in the Rugby Collection show, usually around March – June. At other times, visitors and researchers can view individual works in store by appointment. From time to time, pieces from the collection are loaned to other regional, national or international institutions.

The Social History Collection

Rugby Museum's Social History Collection has been built up since 2000, almost entirely from artefacts donated by local people. It reflects Rugby's rich engineering heritage, as well as the social and domestic lives of the people of the borough. It contains around 6,000 items, mostly of low value. Part of the collection is on display in the Rugby Museum, the remainder is in store.

The Redding Collection

The Redding Collection of glass plate negatives came to Rugby Museum following the closure of a local photographic business. It contains around 20,000 glass plate negatives, mostly from the 1950s and 1960s, many of them portraits and a significant number representing the immigrant communities in the borough. The collection is not on display as it is vulnerable; the content will be made accessible to the public following a digitisation programme.

Note 12 Investment Properties

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

	2011/12	2012/13
	£'000	£'000
Rental income from investment property	65	59
Direct operating expenditure arising from investment property	-4	0
Net gain/(loss)	61	59

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

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

	2011/12	2012/13
	£'000	£'000
Balance at start of the year	1,910	1,673
Net gains/losses from fair value adjustments	11	3
Transfers to inventories/other land & buildings	-248	-1,091
Balance at end of the year	1,673	585

Note 13 Intangible Assets

The General Fund costs are for Rugby IT software licences and for the Warwickshire On-Line Partnership (WOLP) software licences. Rugby IT software is written off (amortised) over 3 years and WOLP software is written off (amortised) over 10 years. The HRA costs are for the Housing management system software licences, which are being written off (amortised) over 3 years.

	Purchased software licenses	Purchased software licenses	Total
	GF	HRA	
	£'000	£'000	£'000
Original cost	1,817	340	2,157
Amortisation to 1 April 2012	-1,706	-340	-2,046
Balance at 1 April 2012	111	0	111
Expenditure in year	12	25	37
Reclassifications in the year	0	0	0
Amortisation in the year	-68	-4	-72
Balance at 31 March 2013	55	21	76

Note 14 Financial Instruments

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

	Long Term		Current (Short-Term)	
	31 March	31 March	31 March	31 March
	2012	2013	2012	2013
	£'000	£'000	£'000	£'000
Investments:				
Loans & receivables	1,396	2,248	4,675	17,604
Total Investments	1,396	2,248	4,675	17,604
Debtors:				
Loans & receivables	97	123	1,645	2,188
Total Debtors	97	123	1,645	2,188
Borrowings:				
Financial Liabilities at amortised cost	-76,933	-84,898	-3,833	-6,275
Total Borrowings	-76,933	-84,898	-3,833	-6,275
Creditors:				
Financial Liabilities at amortised cost -trade creditors	0	0	2,035	3,161
Total Creditors	0	0	2,035	3,161

Income, Expense, Gains and Losses

Financial Instruments Gains and Losses 2011/12				
	Financial Liabilities	Financial Assets		Total
		Loans & Receivables	Soft Loan at Fair Value	
	£'000	£'000	£'000	£'000
Interest expense	556	0	0	556
Impairment gains (-) / losses	437	60	0	497
Interest payable and similar charges	993	60	0	1,053
Interest income	0	-592	0	-592
Interest and investment income	0	-592	0	-592
Transfer to Hedge Reserve	-437	-60	0	
Net Gain (-) /Loss for the year	556	-592	0	

Financial Instruments Gains and Losses 2012/13				
	Financial Liabilities	Financial Assets		Total
		Loans & Receivables	Soft Loan at Fair Value	
	£'000	£'000	£'000	£'000
Interest expense	1,951	0	0	1,951
Impairment gains (-) / losses	37	-20	0	17
Interest payable and similar charges	1,988	-20	0	1,968
Interest income	0	-738	0	-738
Interest and investment income	0	-738	0	-738
Transfer to Hedge Reserve	0	0	0	
Net Gain (-)/Loss for the year	1,988	-758	0	

Icelandic Investments

During 2008 the Icelandic banking system collapsed. At the time of the crisis, the Council had £3m invested with Icelandic institutions in receivership as detailed below:

Bank	Investment Start Date	Planned Maturity Date	Original Investment £'000	Outstanding Amount [#] £'000
Glitnir Bank	27/11/2006	27/11/2008	2,000	447
Landsbanki Islands HF	13/08/2007	13/07/2009	1,000	429

[#] including amounts held in escrow

Landsbanki

Landsbanki Islands hf is an Icelandic entity. In October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee.

Following a decision by the Icelandic Supreme Court to grant UK Local Authorities priority status, the Winding Up Board made distributions to creditors in a basket of currencies in February, May, and October 2012.

An element of the distribution (£8,021) is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest at 4.17%. This element of the distribution has been retained in Iceland due to currency controls operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 100p in the £.

Date	Repayment %
Received to 31 st March 2013	49.65%
December 2013	7.5%
December 2014	7.5%
December 2015	7.5%
December 2016	7.5%
December 2017	7.5%
December 2018	7.5%
December 2019	5.35%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected may validly include interest accrued up to maturity date.

Glitnir

Following a decision by the Icelandic Supreme Court to grant UK Local Authorities priority status, the Winding Up Board made a full distribution to creditors in a basket of currencies in March 2012.

An element of the distribution (£446,530) was made in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest at 4.2%. This element of the distribution has been retained in Iceland due to currency controls and as a result is subject to exchange rate risk, over which the Council has no control.

• Impairment

- The impairment loss for Landsbanki recognised in the Comprehensive Income and Expenditure Statement in 2012/13, **£9,976**, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

- In addition to this sum, **£30,100** has been recognised as an exchange rate gain on Icelandic Kroner held in escrow.

• Hedging

- On 5th August 2011, the Council entered into a forward dated contract with BAe Systems Pension Fund to borrow £10 million on 30th December 2011 to fund the Queen's Diamond Jubilee Leisure Centre project. The forward contract was settled on 30th December 2011 by delivery of the underlying loan and its fair value of £436,635 was transferred to the hedging reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement. This sum will be released to the income and expenditure account over ten years to 30 December 2021 to match the interest payable on the loan. The sum released in the 2012/13 financial year was £37,665 (2011/12: £9,542).

- The hedging relationship remains highly effective.

- No financial assets or liabilities were designated as hedging instruments at 31st March 2013 (2012: £nil).

Fair Values of Assets and Liabilities

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

- Early repayment rates for loans from the PWLB as at 31st March
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables (debtors) is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

As at 31st March 2012			As at 31st March 2013	
Carrying Amount on Balance Sheet £' 000	Fair Value Calculation £' 000		Carrying Amount on Balance Sheet £' 000	Fair Value Calculation £' 000
66,499	70,525	PWLB debt	62,898	68,993
14,268	15,761	Non-PWLB debt	28,275	32,094
80,767	86,286	Total Borrowings	91,173	101,087
		Money Market		
4,675	4,694	Loans < 1yr	17,604	17,569
		Money Market		
1,396	1,388	Loans > 1yr	2,248	2,196
6,071	6,082	Total Loans and Receivables	19,852	19,765

Borrowings: The fair value is more than the carrying amount because the authority's loans are fixed at a higher rate than was available at the 31st March 2012. This increases the fair value of the borrowings held, which have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair values for non-PWLB debt (other than "Lender's Option Borrower's Option" (LOBO) loans) have also been calculated using the same procedures and interest rates and this provides a sound approximation for the fair value for these instruments.

The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

Loans and Receivables: The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date.

Note 15 Disclosure of Nature and Extent of Risk Arising from Financial Instruments (Borrowing & Investments)

The Council's activities expose it to a variety of financial risks. The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimize these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

The Council manages risk in the following ways:

by formally adopting the requirements of the Code of Practice;

by approving annually in advance prudential and treasury indicators for the following three years limiting

- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year; and

by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

Key Risks

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 stipulates limits on credit criteria, deposit amounts and duration for deposits with each financial institution. Details of the Investment Strategy can be found on the Council's website.

The following analysis summarises the Council's maximum exposure to credit risk by comparing global corporate finance average default rates (1990 – 2012) against the Council's deposits to produce an estimated maximum exposure to default.

Amount at 31 March 2012 £'000	Historical Experience of default %	Estimated maximum exposure to default £'000	Deposits with banks and financial institutions	Amount at 31 March 2013 £'000	Historical Experience of default %	Estimated maximum exposure to default £'000
0	0.00		- AAA rated counterparties	0	0.00	-
0	0.03		- AA rated counterparties	1,001	0.02	-
3,041	0.08		4 A rated counterparties	6,906	0.08	6
2,033	0.23		5 BBB rated counterparties	11,067	0.22	24
2	0.00		- Gilts	2	0.00	-
1,742	3.00	52	Trade Debtors	2,311	3.00	69
6,818		61	Total	21,287		99

At 31st March 2013 sundry debts outstanding, arising from a contractual obligation, stood at £2.311m. Of this balance £0.735m is past its due date for payment (30 days) and can be analysed by age as follows:

	31 March 2012	31 March 2013
	£'000	£'000
Less than three months	87	179
Three to six months	34	17
Six months to one year	84	32
More than one year	1,071	507
Total	1,276	735

During the reporting period the Council held no collateral as security.

Liquidity risk

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments as the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB, whilst providing access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Treasury Code of Practice.

The maturity analysis of financial assets is as follows:

	31 March 2012	31 March 2013
	£'000	£'000
Less than one year	4,675	17,604
Between one and two years	1,001	2,246
Between two and three years	0	0
More than three years	395	2
Total	6,071	19,852

All trade and other payables (creditors) are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. To mitigate the longer term risk to the Council relating to managing the exposure to replacing financial instruments as they mature, the Council approves Prudential indicator limits and an annual Treasury Management Strategy.

The central treasury team address the operational risks within the approved parameters, by;

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved maximum limits %	Approved minimum limits %	Actual 31 March 2012 £'000	Actual 31 March 2013 £'000	Actual %
Less than one year	10	0	3,833	6,003	7
12 months to 2 years	20	0	0	10,333	11
Between 2 and 5 years	40	0	12,200	17,112	19
Between 5 and 10 years	50	0	41,713	44,279	48
Between 10 and 20 years	75	0	17,900	11,985	13
Between 20 and 30 years	75	0	500	515	1
Between 30 and 40 years	75	0	921	512	1
More than 40 years	75	0	3,700	434	0
Total			80,767	91,173	

Market risk

This can be further split into interest rate risk and foreign exchange risk.

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. A prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. A 1% change in variable interest rates would be immaterial to the Council because it has no variable rate debt and a small value of variable rate investments.

Foreign exchange risk – Other than those sums held in Icelandic kroner (ISK) previously mentioned in Note 14, the Council has no financial assets or liabilities denominated in foreign currencies. In co-operation with other local authorities and legal advisors, the Council is examining options to facilitate the release of funds held in Iceland at the earliest opportunity. Fluctuations in foreign exchange values are, in part, mitigated by interest earned on these sums whilst held in escrow.

Note 16 Long Term Advances - Loans Outstanding

	Balance at 31st March 2012 £'000	Advances £'000	Amounts Repaid £'000	Balance at 31st March 2013 £'000
Local Authority Mortgage Scheme	0	1,011	0	1,011
Loans for the Purchase of Council Houses	6	0	-4	2
Loans for the Purchase and Improvement of Private Dwellings	48	0	-6	42
Repossession Fund	1	0	0	1
	55	1,011	-10	1,056

Note 17 Debtors (amounts due to the Council)

Net 31st March 2012 £'000		Debt £'000	Bad Debt Provision £'000	Net 31st March 2013 £'000
Amounts due within one year				
1,919	Government Departments	1,001	0	1,001
1,497	Other Local Authorities (inc Police)	1,814	0	1,814
5	Homelessness	8	-3	5
299	Rent-payers	630	-206	424
181	Council Tax Payers	229	-26	203
68	Car Parking	88	-13	75
653	Housing Benefit Overpayments	968	-178	790
1,458	Other Entities and Individuals	2,022	-86	1,936
6,080		6,760	-512	6,248
Amounts due in more than one year				
97	Employee Vehicle Loans	123	0	123
150	Work in Default	80	0	80
247		203	0	203
6,327	Total	6,963	-512	6,451

Note 18 Inventories

31st March 2012 £'000		31st March 2013 £'000
248	Transfers from Investment Properties	0
Stocks:		
109	General Stores	148
32	Other Stocks	14
389	Total	162

Note 19 Creditors (amounts owed to others, by the Council)

As at 31st March 2012 £'000		As at 31st March 2013 £'000
253	HMRC	251
202	Government Departments	844
496	Other Local Authorities (inc. Police)	594
112	Rent-payers *	117
74	Council Tax-payers *	66
2,035	Other Entities and Individuals	3,161
3,172	Total	5,033

* Mainly income received in advance relating to the following financial year.

Note 20 Pensions

Participation in pension schemes

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

Rugby Borough Council participates in two post employment schemes:

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

In 2012/13 the Council paid an employer's contribution total of **£1.533m** which represented **16.9%** of employees' pensionable pay of **£9.056m** into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The current rate was determined by the latest valuation undertaken up to 31st March 2010.

In addition, the Council is responsible for all pension payments relating to the added years benefit it has awarded in the past. In 2012/13 these amounted to **£0.134m** representing **1.5%** of pensionable pay.

Transactions relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required 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 Arrangements	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	1,586	1,793	0	0
Settlements and Curtailments	109	0	0	0
Financing and Investment Income and Expenditure:				
Interest Cost	4,252	3,979	102	98
Expected Return on Scheme Assets	-3,827	-3,286	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,120	2,486	102	98
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Past Service Costs	13	7	0	0
Actuarial Gains and Losses	4,421	4,815	246	-183
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	6,554	7,308	348	-85
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code				
	-2,120	-2,486	-102	-98
Actual amount charged against the General Fund Balance for Pensions in the year:				
Employers' contributions payable to the scheme	1,354	1,533		
Retirement benefits payable to pensioners			169	134

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2013 is a loss of **£4.639m** (£4.680m loss on 2011/12). This comprises actuarial losses on liabilities of **£10.212m**, actuarial gains on scheme assets of **£5.580m** and the past service costs of **£0.007m** in 2012/13. This is also shown in the Movement in Reserves Statement.

The above figures are based on the current version of IAS 19. Changes to IAS 19 come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with IAS 8. The effect of the change to IAS 19 on the Comprehensive Income & Expenditure statement to 31 March 2013 will be an increase in expenditure of £418,000. This will be disclosed in the 2013/14 Financial Statements.

Assets and Liabilities in relation to Post Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Opening balance at 1st April	77,674	83,168	1,937	2,116
Current Service Cost	1,586	1,793	0	0
Interest Cost	4,252	3,979	102	98
Contributions by Scheme Participants	520	581	0	0
Actuarial Gains and Losses	1,973	10,395	246	-183
Benefits Paid	-2,959	-2,930	-169	-134
Past Service Costs	13	7	0	0
Entity Combinations	0	0	0	0
Curtaliments	109	0	0	0
Settlements	0	0	0	0
Closing balance at 31st March	83,168	96,993	2,116	1,897

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12 £'000	2012/13 £'000
Opening balance at 1st April	59,854	60,148
Expected Rate of Return	3,827	3,286
Actuarial Gains and Losses	-2,448	5,580
Employer Contributions	1,523	1,667
Contributions from Scheme Participants	520	581
Benefits Paid	-3,128	-3,064
Entity Combinations	0	0
Settlements	0	0
Closing balance at 31st March	60,148	68,198

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of **£8.868m** (2011/12 £1.576m gain) as provided by the actuary.

Scheme history

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:					
Local Government Pension Scheme (LGPS)	62,733	85,429	77,674	83,168	96,993
Discretionary Benefits	1,542	1,816	1,937	2,116	1,897
Fair Value of Assets in the LGPS	42,417	56,201	59,854	60,148	68,198
Surplus (-) /Deficit in the scheme:					
Local Government Pension Scheme	20,316	29,228	17,821	23,020	28,795
Discretionary Benefits	1,542	1,816	1,937	2,116	1,897
Total	21,858	31,044	19,758	25,136	30,692

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of **£30.692m** has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2014 is **£1.608m**, expected contributions for the Discretionary Benefits scheme in the year to 31st March 2014 are **£0.140m**.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP Ltd, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets:				
Equity Investments	6.3%	4.5%	-	-
Bonds	3.9%	4.5%	-	-
Property	4.4%	4.5%	-	-
Cash/Liquidity	3.5%	4.5%	-	-
Mortality assumptions:			-	-
Longevity at 65 for current pensioners (years):			-	-
Men	21.9	21.9	-	-
Women	23.6	23.6	-	-
Longevity at 65 for future pensioners:			-	-
Men	22.8	22.8	-	-
Women	25.9	25.9	-	-
Rate of CPI inflation	2.5%	2.8%	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%	4.8%	5.1%
Rate of increase in pensions	2.5%	2.5%	2.5%	2.5%
Rate of discounting scheme liabilities	4.8%	4.5%	4.8%	4.5%
Take-up option to convert annual pension into retirement lump sum	50%	50%	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31st March 2012	31st March 2013
Equity Investments	71.0%	73.0%
Government Bonds	19.0%	18.0%
Property	10.0%	9.0%
Cash/Liquidity	0.0%	0.0%
	100%	100%

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
Difference between the expected and actual return on assets	-16.6%	-40.7%	-4.7%	-4.1%	8.2%
Experience gains and losses on liabilities	7.1%	-16.8%	-14.9%	-0.3%	-0.4%

Further information can be found in Warwickshire County Council's Pension Fund Actuarial Report, which is available on request from Warwickshire County Council, Treasury and Pensions Section, Resources, P.O. Box 3, Shire Hall, Warwick, CV34 4RH.

Note 21 Useable and Unusable Reserves

Notes 7 and 8 detail various movements between useable and unusable reserves, however the table below provides a breakdown of the total reserves which make up General Fund Earmarked Reserves. Details for Housing Revenue Account Earmarked Reserves can be found on p74.

31 March 2012 £'000		31 March 2013 £'000
-2,614	Section 106 (Developer) Contributions	-2,804
-507	New Homes Bonus Reserve	-435
-174	Revenue Grants & Contributions from Third Parties	-158
-162	New Hardships Reserve	-162
-138	Recycling Plant Reserve	-138
-138	Works Services Unit Operational Reserve	-114
-129	Library & Art Gallery Museum Reserve	-129
-283	Other smaller reserves e.g. plant & equipment reserves	-329
-4,145	Total General Fund Earmarked Reserves	-4,269

Below is a breakdown of all reserves making up the total of Unusable Reserves;

<i>Restated</i> 31 March 2012 £'000		Note	31 March 2013 £'000
-1	Financial Instruments Adjustment Account	22	0
-8,809	Revaluation Reserve	23	-8,977
-63,303	Capital Adjustment Account	24	-57,515
-54	Deferred Capital Receipts Reserve	25	-44
35	Collection Fund Adjustment Account	26	41
25,136	Pensions Reserve	27	30,692
157	Accumulated Absences Account	28	152
427	Hedge Reserve	29	390
-46,412	Total Unusable Reserves		-35,261

Note 22 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account reduces the impact of the loss on the General Fund Balance due to the issuing of loans that are made at less than the market rate ('soft loans') in order to achieve a specific service objective. The adjustment account is used to charge the interest foregone over the lifetime of the loan, rather than all in the year of issue. It also ensures that the effective interest credited to the Comprehensive Income and Expenditure Statement, as required by the Code, is replaced with the actual interest received in the General Fund Balance.

This account also contains the balance of premiums and discounts arising from previous debt rescheduling.

2011/12 £'000		2012/13 £'000
132	Balance at 1st April	-1
0	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
-133	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1
-133	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1
-1	Balance at 31 March	0

Note 23 Revaluation Reserve

This reserve represents mainly the balance of the gains and losses arising on the periodic revaluation of fixed assets.

Restated 2011/12 £'000		General Fund £'000	HRA £'000	2012/13 Total £'000
-7,679	Balance as at 1st April	-8,006	-803	-8,809
-22,312	Upward revaluation of assets	-2,312	0	-2,312
21,104	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	2,096	14	2,110
-8,887	Surplus on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	-8,222	-789	-9,011
59	Difference between fair value depreciation & historical cost depreciation	26	8	34
19	Accumulated gains on assets sold or scrapped	0	0	0
-8,809	Balance as at 31st March	-8,196	-781	-8,977

Note 24 Capital Adjustment Account

This account represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of loans as well as other capital financing transactions as required by the Accounting Code of Practice.

Restated 2011/12 £'000	2012/13 £'000	2012/13 £'000
-120,907		-63,303
Balance at 1st April		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
1,546	1,416	
General Fund Charges for depreciation of non-current assets		
1,744	1,751	
HRA Charges for depreciation of non-current assets		
-17,493	4,755	
Revaluation and impairment loss: Property, Plant & Equipment		
82	72	
Amortisation of Intangible assets reversal		
1,774	2,707	
Revenue Expenditure Funded from Capital Under Statute written down		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure		
1,360	888	
Statement		
72,949	0	
HRA Self Financing		
		11,589
-78		-34
Adjusting amounts written out of the Revaluation Reserve		
Net written out amount of the cost of non-current assets consumed in		
-59,023		-51,748
the year		
Capital financing applied in the year:		
-1,511	-1,476	
Use of the Capital Receipts Reserve to finance new capital expenditure		
-164	-107	
Capital expenditure charged against the General Fund & HRA balances		
-1,758	-2,313	
Use of the Major Repairs Reserve to finance new capital expenditure		
Capital grants & contributions credited to the Comprehensive Income &		
-498	-1,618	
Expenditure statement that have been applied to capital financing		
-155	-86	
Contributions from Earmarked Reserves		
Statutory provision for the financing of capital investment charged		
-169	-164	
against the General Fund and HRA balances		
		-5,764
-25		-3
Revaluation Gains on Investment Properties		
-63,303		-57,515
Balance at 31st March		

Note 25 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. These arise from mortgages on sales of Council Houses which are included under Long Term Debtors – Loans Outstanding. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £'000	2012/13 £'000
-60	-54
Balance at 1 April	
0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
6	10
Transfer to the Capital Receipts Reserve upon receipt of cash	
-54	-44
Balance at 31 March	

Note 26 Collection Fund Adjustment Account

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

2011/12 £'000		2012/13 £'000
9	Balance at 1st April	<u>35</u>
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
<u>26</u>		<u>6</u>
<u>35</u>	Balance at 31st March	<u>41</u>

Note 27 Pensions Reserve

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

2011/12 £'000		2012/13 £'000
19,757	Balance at 1st April	25,136
4,680	Actuarial gains (-) or losses on pensions assets and liabilities	4,632
2,222	Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES	2,584
-1,523	Employer's pensions contributions and direct payments to pensioners payable in the year	-1,667
<u>0</u>	Past Service Costs	<u>7</u>
<u>25,136</u>	Balance at 31st March	<u>30,692</u>

See Note 20 on Pensions - for full details of the treatment of costs under the **International Accounting Standard IAS 19**.

Note 28 Accumulated Absences Account

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

2011/12		2012/13	
£'000		£'000	£'000
<u>128</u>	Balance at 1st April		157
-128	Settlement or cancellation of accrual made at end of preceding year	<u>-157</u>	
157	Amounts accrued at the end of the current year	152	
29	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements		-5
<u>157</u>	Balance at 31st March		<u>152</u>

Note 29 Hedge Reserve

- The Council has established a cash flow hedging relationship between a forward contract element and the interest cash flows payable on a loan (see Note 14).
- Upon settlement of the forward contract its fair value is transferred to the Hedge Reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement. This sum will be released to the income and expenditure account over ten years to 30th December 2021 to match the interest payable on the loan.

2011/12		2012/13	
£'000		£'000	
<u>0</u>	Balance at 1st April		427
437	Delivery of underlying loan at fair value		0
-10	Release to income and expenditure account to match interest payable on loan		-37
<u>427</u>	Balance at 31st March		<u>390</u>

OTHER SUPPLEMENTARY NOTES

Note 30 Trading Operations

Rugby Borough Council operates a Works Services Unit trading operation where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

	2010/11		2011/12		2012/13	
	Restated					
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	6,176		6,585		7,421	
Income	-6,341		-6,798		-7,590	
Surplus (-)		-165		-213		-169

The cumulative total over the last three financial years is **£547,000**.

In order to satisfy the requirements of competition law, recharges for internal work done by trading operations, following competition with the private sector, have been priced to include a cost of capital recovery in the operational accounts for the year. The Works Services Unit expenditure therefore incorporated capital charges of £431,800 for 2011/12 and **£468,770** in 2012/13.

The Works Services Unit trading operation is included within the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure forming part of the Surplus(-)/Deficit on Provision of Services.

Note 31 Leases

The Council as Lessee

Finance Leases

The Council has acquired land at Brownsover, Rugby for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31st March 2013. At inception, no upfront premium was payable and the minimum lease payment of “one peppercorn” has not been charged.

Operating Leases

The Council held the following operating leases in 2012/13:

Photocopiers

The Council has 27 rental agreements for photocopying equipment over a three year period, this contract has been extended to 14th September 2012. Currently the photocopiers are being leased with a months notice to terminate.

Land adjoining the former GEC Site, Hillmorton Road, Rugby

The Public Recreation Ground, Sports Pavilion and Car Park have been constructed as open space to adjoin the housing development on the former GEC site and leased to the Council for public use. The 50 year lease is restricted to rent of “one peppercorn” per annum which has not been charged since inception in 1997 and is not included as future minimum lease payments due in the following table.

Part top floor of the Clock Towers Car Park, Rugby

On 27th January 1981 the Council paid a sum of £179,630 to the landlord of the Clock Towers Car Park as a premium payment to lease 85 spaces on the top floor of the Car Park over 125 years. The rent thereafter of one peppercorn has not been charged and is not included as future minimum lease payments due in the table below.

On 28th January 1981 the Council sublet the 85 spaces back to the Clock Towers for 125 years (less 3 days) at a rent of 85/594 (parking spaces) of the annual surplus as shown in the sub tenants audited accounts. The sublease payments receivable in 2011/12 and 2012/13 are shown in the table below and for 2013/14 the estimated sublease payments are £0. However, due to the specific nature of this rent calculation the minimum sublease payments in future years are not yet known.

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

	31st March 2012 £'000	31st March 2013 £'000
Not later than one year	26	25
Later than 1 year and not later than 5 years	0	25
Later than five years	0	0
	26	50

The expenditure and income charged to the net cost of services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12 £'000	2012/13 £'000
Minimum lease payments	32	22
Contingent rents	0	0
Sublease payments receivable	-18	0
	-14	22

The Council as Lessor

Finance Leases

The Council as lessor did not hold any finance leases in 2012/13.

Operating Leases

The Council has leased out properties under operating leases for the following purpose:

- for the provision of community services, such as sports facilities and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31st March 2012 £'000	31st March 2013 £'000
Not later than one year	85	85
Later than 1 year and not later than 5 years	159	138
Later than 5 years	219	185
	463	408

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 no contingent rents were receivable by the Council.

Note 32 Publicity

The Council's spending on Publicity and Public Relations for 2012/13 was as follows:

2011/12	2012/13
£	£
80,400 Communications	125,680
18,340 Staff advertising	13,660
0 Art Gallery publicity	280
0 Borough Elections publicity	0
6,150 Housing publicity	9,480
2,620 General advertising/publicity	1,490
107,510	150,590

Note 33 Officers' Remuneration and Termination Benefits

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:

Number of Employees 2011/12	Remuneration Band	Employees Left during 2012/13	Employees Remaining 2012/13	Total Number of Employees 2012/13
0	£50,000 - £54,999	0	0	0
1	£55,000 - £59,999	0	2	2
5	£60,000 - £64,999	0	4	4
0	£65,000 - £69,999	0	0	0
0	£70,000 - £74,999	0	0	0
0	£75,000 - £79,999	0	0	0
0	£80,000 - £84,999	0	0	0
1	£85,000 - £89,999	0	2	2
1	£90,000 - £94,999	0	0	0
0	£95,000 - £99,999	0	0	0
0	£100,000 - £104,999	0	0	0
0	£105,000 - £109,999	0	0	0
0	£110,000 - £114,999	0	0	0

The table above shows there were 8 employees in 2012/13 (as at 31st March 2013) whose remuneration excluding pension contributions was £50,000 or more. The table on page 64 shows all employees who earned over £50,000 *during* 2012/13.

Remuneration of Senior Officers and other employees whose salary is more than £50,000 per year, in accordance with option B as per the Local Authority Accounting Practice (LAAP) Bulletin 85 issued by CIPFA in April 2010.

Post Holder		Salary	Fees and Expense Allowances	Benefits in Kind	Remuneration excluding pension contributions	Pension contributions	Remuneration including pension contributions
		£	£	£	£	£	£
Executive Director	2012/13	84,010	340	5,450	89,800	14,620	104,420
	2011/12	84,010	410	6,240	90,660	13,780	104,440
Executive Director	2012/13	84,010	520	4,660	89,190	14,370	103,560
	2011/12	84,010	520	4,430	88,960	13,780	102,740
Head of Resources	2012/13	62,050	120	2,350	64,520	10,610	75,130
	2011/12	62,050	120	1,910	64,080	10,170	74,250
Head of Environmental Services	2012/13	59,840	490	2,810	63,140	10,230	73,370
	2011/12	59,840	410	4,300	64,550	9,810	74,360
Head of Customer and Information Services	2012/13	58,270	190	4,200	62,660	9,960	72,620
	2011/12	56,690	840	3,880	61,410	9,300	70,710
Head of Planning and Cultural Services	2012/13	59,840 *	360	1,760	61,960	10,230	72,190
	2011/12	59,840 *	520	6,380	66,740	9,810	76,550
Head of Housing	2012/13	59,840	130	0	59,970	10,230	70,200
	2011/12	59,840	20	2,770	62,630	9,810	72,440
Head of Business Transformation	2012/13	58,270	220	450	58,940	9,960	68,900
	2011/12	56,690	0	1,780	58,470	9,300	67,770

* From the salary of £59,840, The Head of Planning and Cultural Services opted to sacrifice £2,916 of her salary, in 2011/12 and 2012/13, for Childcare Vouchers

Rugby Borough Council terminated the contract of one employee in 2012/13, incurring liabilities of £15,110 (£132,800 in 2011/12).

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£20,000	3	0	2	1	5	1	£54,265	£15,110
£20,001-£40,000	0	0	0	0	0	0	£0	£0
£40,001 and above	0	0	1	0	1	0	£78,535	£0
Total	3	0	3	1	6	1	£132,800	£15,110

Note 34 Members' Allowances

The total costs of Members' allowances paid in the year were as follows:

2011/12		2012/13	
£		£	
298,910	Basic allowances	263,600	
63,580	Special responsibility allowances	64,150	
11,060	Employers' National Insurance	13,770	
3,530	Expenses	2,630	
<u>377,080</u>		<u>344,150</u>	

Note 35 Related Party Transactions

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 6. Amounts outstanding at the end of the financial year are included in notes 17 and 19.

Warwickshire County Council (WCC) and the Office of Police and Crime Commissioner for Warwickshire

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. WCC is the administering authority for the Pension Fund and employer's

contributions paid by this Council total £1,667,000 for 2012/13. In addition, the Council has received £485,030 relating to income for on-street car parking on behalf of WCC and £542,990 for reimbursement of running costs relating to the decriminalisation of car parking.

Parish Precepts

For 2012/13 the precepts issued to parish councils totalled £635,470.

Council Members and Chief Officers

Based on existing key data sources, no material related party transactions have been identified amongst either the members or chief officers. These sources are:

- The Register of Members' Interests – maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992 (Statutory Instrument 1992/618);
- Disclosure of direct or indirect pecuniary interests as defined by the Council's Code of Conduct for Councillors; and
- The Staff Register of Interests – maintained in accordance with our Anti-Fraud & Corruption Strategy.

During 2012/13, 9 Borough Councillors were also Warwickshire County Councillors (*Cllr Peter Butlin; Cllr Robin Hazelton; Cllr Carolyn Robbins; Cllr Helen Walton; Cllr Heather Timms; Cllr Richard Dodd; Cllr Jerry Roodhouse; Cllr David Wright and Cllr Claire Watson*).

In addition to their normal involvement on various Council Committees, most members and some Senior Officers and staff also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s). A list of representatives relevant to 2012/13 was approved at the Annual Meeting of the Council on 17th May 2012.

The Council provided financial assistance to certain voluntary and outside bodies during 2012/13; these are mainly Local Government Associations or local groups that the Council supports with grant aid and advice. Examples include the Local Government Association, West Midlands Local Government Association, Rugby First, Rugby Citizens Advice Bureau, Rugby Age Concern, Rugby Bid Company and many others. The majority of individual transactions may be material for the recipient organisations but are relatively immaterial in financial terms for this organisation, with the exception of:

Rugby First Ltd - BID Division

As Economy Development and Culture Portfolio Holder, Cllr Mrs Timms, and as Sustainable Environment Portfolio Holder, Cllr Williams, are on the Board of Rugby First Limited. An amount of £852,770 was paid to the BID Company in 2012/13 of which £613,100 related to the collection of BID Levy income for 2012/13.

A total of £350,840 grants were awarded in 2012/13, of which £171,930 was paid to voluntary organisations in which 11 members had an interest. All payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the payments.

A full list of all Borough Councillors and their various interests of this type can be made available upon request at the Town Hall, Rugby.

Note 36 Audit Fees

In 2012/13 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2011/12 £'000	2012/13 £'000
Fees payable to the appointed auditor regarding external audit services	121	72
Fees payable to the appointed auditor for the certification of grant claims and returns	28	13
	<u>149</u>	<u>85</u>

Note 37 Capital Expenditure and Financing

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

	2011/12 £'000	2012/13 £'000
Opening Capital Financing Requirement	9,566	83,149
Capital Investment		
Property Plant and Equipment	2,719	3,617
Assets under construction	339	7,061
Surplus Assets	0	0
Intangible Assets	82	37
Revenue Expenditure Funded from Capital under Statute	1,731	2,637
Long Term Debtors	0	1,000
HRA Self Financing settlement	72,949	0
Sources of Financing		
Capital Receipts	-1,493	-1,476
Government Grants & Other Contributions	-498	-1,618
Sums set aside from revenue	-164	-107
Earmarked Reserves	-1,913	-2,399
Minimum Revenue Provision (MRP)	-169	-164
Closing Capital Financing Requirement	83,149	91,737
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	73,583	8,588
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	73,583	8,588

Capital Commitments

Capital commitments as at 31 March 2013 amounted to £5.932m. This amount relates to the contractual arrangements to deliver the Queen's Diamond Jubilee Leisure Centre. Capital commitments as at 31 March 2012 amounted to £13.261m.

Note 38 Trust Funds

The Council administers certain Trust Funds relating to legacies left by individuals over a number of years and these funds are not included on the Consolidated Balance Sheet.

2011/12		2012/13
£		£
3,250	G.C. Benn Bequest	3,652
351,173	Benn's Estate Capital Account	394,519
1,852	Peter Simpson Bequest	1,848
20	Ida Wilkins Bequest	20
<u>356,295</u>		<u>400,039</u>

These Funds were donated for the benefit of the residents of the Borough and are invested in either the Charities Official Investment Fund, in Treasury or Consolidated Stock, or internally within the Borough Council and represent their values as at 31st March 2013.

Note 39 Capitalisation of Borrowing Costs

In accordance with the Code, where an authority has adopted an accounting policy of capitalising borrowing costs in relation to a qualifying asset, it is required to disclose the amount of borrowing costs capitalised during the period. In 2012/13, Rugby Borough Council capitalised £320,110 of costs (£34,260 in 2011/12), relating to borrowing specifically for the purpose of obtaining a qualifying asset.

Note 40 Contingent Assets and Liabilities

As at 31st March 2013 the Council had the following potential assets and liabilities;

Following the administration of the developer of the Cattle Market Site, there were £147,650 outstanding costs. The Council is currently considered as an unsecured creditor and at this stage any payment of the outstanding amount is anticipated to be low, but not yet quantified. This amount is included within the balance of Debtors (Note 17).

Approximate costs of £225,000 may be incurred relating to two separate events, however due to the nature of those events further details cannot be disclosed at this stage.

Note 41 Non-adjusting Post Balance Sheet Event: Business Rates – appeals outstanding at 31st March 2013

When new arrangements for the retention of business rates comes in effect on 1st April 2013, local authorities will assume the liability for refunding taxpayers who have successfully appealed against the rateable value of their properties on the rating list.

When authorities assume these liabilities on 1st April 2013, a provision will need to be recognised. The authority's respective share of these liabilities should be reported as a non-adjusting post balance sheet event.

Rugby Borough Council will assume 40% of the liabilities based on the percentage share of Business Rates that are retained by the local authority. The authority's respective share of the liability on 1st April 2013 is £494,320.

CASH FLOW STATEMENT 2012/13

The Council has changed the format of its Cash Flow Statement in 2012/13 to the direct method, which lists all major classes of cash inflows and outflows generated by operating 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. To assist with comparators, the Cash Flow Statement for 2011/12 has been restated using the direct method also.

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. 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.

Restated 2011/12 £'000		Notes	2012/13 £'000
-7,267	Operating Activities	42	-5,362
66,372	Investing Activities	43	20,698
-69,872	Financing Activities	44	-12,277
-10,767	Net increase(-) or decrease in cash and cash equivalents		3,059
612	Cash and cash equivalents at the beginning of the reporting period		11,379
11,379	Cash and cash equivalents at the end of the reporting period	45	8,320

NOTES TO THE CASH FLOW STATEMENT

Note 42 Cash Flow Statement – Operating Activities

Restated 2011/12 £'000			2012/13 £'000
-280	Taxation		-321
-36,466	Grants		-36,800
-6,493	Housing Rents		-7,019
-2,990	Sales of Goods and rendering of services		-3,195
-781	Interest received		-290
-47,010	Cash inflows generated from operating activities		-47,625
10,576	Cash paid to and on behalf of employees	10,672	
14,372	Housing Benefit paid out	14,927	
627	Precepts paid	649	
400	Payments to the Capital Receipts Pool	347	
10,602	Cash paid to suppliers of goods and services (inc net VAT outflow)	11,025	
446	Interest Paid	1,940	
2,720	Other payments for operating activities	2,703	
39,743	Cash outflows generated from operating activities		42,263
-7,267	Net cashflows from operating activities		-5,362

Note 43 Cash Flow Statement – Investing Activities

Restated 2011/12 £'000		2012/13 £'000
3,736	Purchase of property, plant and equipment, investment property and intangible assets	9,755
12,000	Purchase of short-term and long-term investments	27,892
74,680	Other payments for investing activities	1,000
-1,519	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,432
-21,060	Proceeds from short-term and long-term investments	-14,188
-1,465	Other receipts from investing activities	-2,329
66,372	Net cash flows from investing activities	20,698

Note 44 Cash Flow Statement – Financing Activities

Restated 2011/12 £'000		2012/13 £'000
-72,500	Cash receipts of short and long-term borrowing	-14,000
-15	Other receipts from financing activities	-2,186
2,000	Repayments of short and long-term borrowing	3,600
643	Other payments for financing activities	309
-69,872	Net cash flows from financing activities	-12,277

Note 45 Cash and Cash Equivalents

31st March 2012 £'000		31st March 2013 £'000
-304	Cash held by the authority	-676
0	Bank current accounts	0
11,683	Money Market Funds	8,996
11,379		8,320

HOUSING REVENUE ACCOUNT (HRA):

INCOME & EXPENDITURE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Restated 2011/12 £'000		2012/13 £'000
	Income	
-13,901	Dwelling Rents	-14,822
-187	Non-Dwelling rents	-186
-1,333	Charges for services	-1,406
-175	Contributions towards expenditure	-325
-15,596	Total Income	-16,739
	Expenditure	
2,480	Repairs & maintenance	2,865
3,686	Supervision & management	3,986
72,949	Exceptional cost HRA self financing settlement	0
-21,311	Exceptional item full stock revaluation	0
2	Rents, rates, taxes & other charges	0
4,457	Negative HRA subsidy payable	-6
3,481	Depreciation & impairment of non-current assets	4,283
4	Debt management costs	7
54	Movement in allowance for bad debts	74
65,802	Total Expenditure	11,209
50,206	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	-5,530
246	HRA Share of Corporate & Democratic Core costs	236
50,452	Net Expenditure of HRA Services	-5,294
625	Gain (-)/ loss on sale of HRA non-current assets	-483
282	Interest payable and similar charges	1,340
-117	Interest and investment income	-29
58	Pension interest cost and expected return on pensions assets	92
-30	Capital grants and contributions receivable	-111
51,270	Surplus (-) / Deficit for the year on the HRA services	-4,485

MOVEMENT ON THE HRA STATEMENT

2011/12 £'000		2012/13 £'000
51,270	Surplus(-)/Deficit for the year on the HRA Income & Expenditure Account	-4,485
-51,407	Net amount required by statute to be debited/credited to the HRA Balance for the year	196
-137	Increase(-)/decrease in the HRA Revenue Balance	-4,289
<u>-1,745</u>	HRA revenue balance brought forward	<u>-1,882</u>
<u>-1,882</u>	HRA revenue balance carried forward	<u>-6,171</u>
-5,417	HRA capital balance brought forward	-6,736
<u>-1,319</u>	Transfer to (-)/ from Balances and Reserves	<u>-1,376</u>
<u>-6,736</u>	HRA capital balance carried forward	<u>-8,112</u>
<u>-8,618</u>	Total HRA Balances carried forward	<u>-14,283</u>

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
133	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-1
-55,262	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-4,524
-625	Reversal gain or loss on sale/de-recognition of HRA Fixed Assets	483
-8	Transfer to Accumulated Absences account	6
30	Capital Grant income	203
-245	Net charges made for retirement benefits (IAS 19)	181
<u>-55,977</u>		<u>-3,652</u>
Items excluded in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
2,609	Transfer to Major Repairs Reserve	2,725
316	Transfer from Housing Repairs Account	-56
0	Transfer to Capital Adjustment Account	0
1,319	Transfer to HRA Capital balances	1,376
162	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	-304
164	Capital Expenditure funded by the HRA	107
<u>4,570</u>		<u>3,848</u>
<u>-51,407</u>	Net amount required by statute to be debited or credited to the HRA Balance for the year	<u>196</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 HRA Assets

The number and types of dwellings in the authority's housing stock is as follows:

2011/12		2012/13
2,266	Houses/Bungalows (including part-pwnerships)	2,249
1,665	Flats	1,665
3,931		3,914

The change in the stock was as follows:

2011/12		2012/13
3,938	Stock at 1st April	3,931
-7	less sales (including part ownership) & demolitions	-17
0	less removal from stock	0
0	add purchases/rebuild	0
3,931	Stock at 31st March	3,914

The Balance Sheet includes Housing Revenue Account assets as follows:

2011/12 £'000		2012/13 £'000
Balance Sheet Values as at 31st March		
118,595	Operational Assets: Dwellings	116,025
234	Operational Assets: Other Land & Buildings	171
53	Operational Assets: Equipment	44
447	Operational Assets: Infrastructure	435
111	Non-Operational Assets	145
119,440		116,820

Note 2 Vacant Possession

2011/12 £'000		2012/13 £'000
347,091	Vacant Possession Value of Dwellings at April 2012 prices	339,576
-118,595	Balance Sheet Value of Dwellings	-116,025
228,496	Economic Cost to Government	223,551

The vacant possession value of the dwellings is the equivalent of the market value of the properties.

For balance sheet purposes it is necessary to adjust this value in order to show the cost of the properties at social value. This represents a value for a property if it were sold with sitting tenants enjoying rents at less than open market rents and rights such as Right to Buy. The difference between the two values represents the economic cost to the Government of providing council housing at less than open market rents. An adjustment factor is provided by the Government, which measures the difference between market and local authority rents at a regional level. The adjustment factor for Rugby is set at **34%**.

Note 3 Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve for the capital financing of the planned element of replacement expenditure on council houses. The Reserve earns interest on all balances, which must also be used for this purpose.

2011/12 £'000		2012/13 £'000
-1,459	Balance at 1st April	-2,338
	Depreciation on Fixed Assets	
-1,711	Dwellings	-1,729
-898	Appropriations to/from HRA Revenue	-996
-28	Interest Received	-26
-4,096	Sub-total	-5,089
1,758	Capital Financing	2,313
-2,338	Balance at 31st March	-2,776

Note 4 Housing Repairs Account

2011/12 £'000		2012/13 £'000
-1,186	Balance at 1st April	-1,501
-2,795	Contributions during the year	-2,809
2,480	Repair and Maintenance charged	2,864
-1,501	Balance at 31st March	-1,446

Note 5(i) HRA Capital Expenditure and Financing

2011/12 £'000	HRA Capital Expenditure	2012/13 £'000
1,805	Council dwellings	2,358
139	Other Assets	79
9	Housing Management System	0
0	Other Expenditure	186
1,953	Sub-total	2,623
	Financed by:	
164	Direct Revenue Finance	107
31	Government Grant	203
1,758	Major Repairs Reserve	2,313
1,953	Balance at 31st March	2,623

Note 5(ii) HRA Capital Receipts

2011/12 £'000		2012/13 £'000
538	Sales of Council Houses under Right to Buy (RTB)	1,103
5	RTB Discounts repaid	0
6	Council House Mortgage Principal Repayments	4
549	Balance at 31st March	1,107

Note 6 Depreciation of Property Plant and Equipment

2011/12 £'000		2012/13 £'000
	Operational Assets	
1,723	- Dwellings, Other Land, Buildings	1,728
9	- Equipment	10
12	- Non-Operational Assets	12
1,744	Balance at 31st March	1,750

A full valuation of the stock has to be undertaken every 5 years. The latest one was carried out as at 1 April 2011. The results have been incorporated into the values shown in the balance sheet.

Note 7 Revenue Expenditure Funded From Capital under Statute

The following table details the revenue expenditure funded from capital under statute which was charged to HRA revenue. This represents expenditure which is treated as capital but which does not result in a tangible asset. The following is a list of the capital schemes which make up the total for HRA in the year.

2011/12 £		2012/13 £
111,468	Pettiver Crescent	110,780
3,382	Housing Management System	53,970
4,461	Bathrooms	16,270
15,938	Kitchen Improvements	14,790
6,437	Heating Upgrades	14,660
532	Heating to Replace Electric with Gas	9,010
0	Fire Risk Assessment	7,660
0	Energy Efficiency	7,550
70	Disabled Adaptations	4,450
0	Tenants Participation	1,610
235	Rewiring	230
142,523		240,980

Note 8 HRA Subsidy

The national Housing Revenue Account subsidy system ceased in 2011/12. A prior year adjustment of £6,000 was paid to Rugby Borough Council in 2012/13.

2011/12 £'000		2012/13 £'000
6,269	Management and Maintenance Allowance	0
2,609	Major Repairs Allowance	0
632	Charges for Capital	0
26	Self Financing Interest Payments	0
-13,980	Notional Rent	0
0	Interest on Receipts	0
-13	Prior Year Adjustments	6
-4,457	Total Amount Receivable / Payable (-)	6

Note 9 Contributions to/from Pensions Reserve

The HRA share of IAS 19 pension adjustments is based on the number of employees charged to the HRA. Also see Note 20 re Pensions and Note 27 re Pensions Reserve.

Note 10 Tenant Arrears

During 2012/13 rent arrears as a proportion of gross rental income have changed from 2.38% of the amount due to 2.77%. The figures, excluding service charges and debts of up to three weeks are as follows:

2011/12 £'000		2012/13 £'000
200	Arrears of current tenants (not including current weeks)	252
130	Arrears of former tenants	156
0	Arrears of Rent Rebates	0
330	Total tenant arrears at 31st March	408

Bad Debts

The total provision for potential bad debts was £206,180 (as at 31st March 2013). Amounts actually written off during the year totalled £46,085. The level of bad debt provision is calculated with reference to the HRA (Arrears of Rents and Charges) Directions 1990. An analysis of the Bad Debt Provision Account is as follows:

2011/12 £'000		2012/13 £'000
-181	Balance at 1st April	-179
56	Write off	46
-54	Provision made in the year	-73
-179	Balance at 31st March	-206

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory requirement 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 precepting authorities and the Government of council tax and business rates (national non-domestic rates).

COLLECTION FUND STATEMENT

2011/12 £'000		2012/13 £'000
	Income	
-48,104	Council Tax (Note 1)	-48,878
	Transfers from General Fund	
-6,265	Council Tax Benefits	-6,102
-37,100	Business Rates collectable (Note 2)	-39,139
<u>-91,469</u>		<u>-94,119</u>
	Expenditure	
	Precepts and Demands (Note 3)	
40,971	Warwickshire County Council	41,675
6,174	Office of the Police and Crime Commissioner for Warwickshire	6,528
6,638	Rugby Borough Council	6,753
<u>53,783</u>		<u>54,956</u>
	Business Rates	
36,654	Payment to National Pool	38,729
134	Cost of Collection	135
<u>36,788</u>		<u>38,864</u>
	Bad Debt Provision (Note 4)	
91	Council Tax	107
312	Business Rates	275
	Contributions:-	
706	Towards previous year's estimated surplus(-)/deficit	-28
<u>91,680</u>		<u>94,174</u>
	Movement on Fund Balance	
211	Deficit/Surplus(-) for the year	55
69	Deficit/Surplus(-) as at 1st April	280
<u>280</u>	Surplus(-)/Deficit as at 31st March (Note 5)	<u>335</u>

NOTES TO THE COLLECTION FUND ACCOUNTING STATEMENT

Note 1 Council Tax

The Council is required to calculate a tax base each year and this is divided into the total precept requirement for Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the band D council tax figure of **£1,523.39** for 2012/13.

The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, taking into account an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts, where applicable.

This is converted to an equivalent number of band D dwellings. Finally, an adjustment is made to cover non-collection of arrears. A summary of the calculation is shown below.

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalents
AR	12.50	5/9	7.00
A	6,690.75	6/9	4,482.80
B	9,548.00	7/9	7,447.44
C	9,385.75	8/9	8,353.32
D	5,179.50	9/9	5,179.50
E	3,819.25	11/9	4,659.49
F	2,420.75	13/9	3,485.88
G	1,401.00	15/9	2,339.67
H	65.25	18/9	130.50
			36,085.60
	Less allowance for non-collection		(144.35)
	Contributions in Lieu (MOD Properties)		133.60
	COUNCIL TAX BASE 2012/13		36,074.85

(Band AR relates to a reduction for persons with disabilities on Band A)

The tax base multiplied by the average band D council tax of **£1,523.39** provided an original estimate of income, including council tax benefit, of **£54,955,926** for 2012/13. The actual income for 2012/13 was **£54,980,039**, thus exceeding expectations by 0.04%.

Note 2 Business Rates (National Non-Domestic Rates)

Under the arrangements for uniform business rates, the Council collects national non-domestic rates for its area, which are based on local rateable values multiplied by a national rate. The total amount, less certain reliefs and other deductions, is paid to a central government pool. This in turn pays back to local authorities their share of the pool, based on a standard amount per head of resident population.

The total rateable value for the Rugby Borough area was **£102,041,226** at 31st March 2013 (£102,882,009 in 2011/12). The non-domestic rating multiplier for 2012/13 was **45.8p** (43.3p in 2011/12) and the small business non-domestic rating multiplier was **45.0p** (42.6p in 2011/12).

Note 3 Precepts and Demands on the Collection Fund

The following authorities made a significant demand on the Collection Fund:

2011/12		2012/13
40,970,445	Warwickshire County Council	41,675,318
6,174,275	Office of the Police & Crime Commissioner for Warwickshire	6,528,088
6,638,310	Rugby Borough Council	6,752,520
53,783,030		54,955,926

Note 4 Provision for Bad and Doubtful Debts

A provision is made within the Collection Fund Account for bad and doubtful debts based upon the evidence of local patterns of collection and the likelihood of recovery.

Council tax written off against the provision amounted to **£145,443** in 2012/13 (£116,874 in 2011/12). Business rates written off against the business rates provision amounted to **£323,673** in 2012/13 (£253,602 in 2011/12).

Note 5 Collection Fund Balance Apportionment

The Collection Fund balance as at 31st March will be split between the authorities and adjusted against the following year's precept in the following proportions:

2011/12		2012/13
212,568	Warwickshire County Council	253,889
33,173	Office of the Police & Crime Commissioner for Warwickshire	39,770
34,449	Rugby Borough Council	41,171
280,190		334,830

The Balance Sheet as at 31st March 2013 will include a debtor for each of the precepting authorities' share of the Collection Fund deficit.

The Council's share of the deficit of **£41,171** is recognised in the Consolidated Income and Expenditure Statement in 2012/13, but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulation 2012 these accounts have been approved by Council on the 24th September 2013.

Signed:

A handwritten signature in black ink, appearing to be 'C. Humphrey', written over a faint, illegible stamp.

Councillor C. Humphrey
Leader of Rugby Borough Council

Date:

9.9.13

Glossary of Terms

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses 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.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.

CASH & CASH EQUIVALENTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENCY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which 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 activities. There is therefore no logical basis for apportioning these costs to services.

CURRENT SERVICE COSTS (PENSIONS)

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

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of an employees' services earlier than expected, for example as the result of closing a service or discontinuing a segment of an organisation, and;
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all of the future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.

DEFINED BENEFIT SCHEME

A defined benefit scheme is a scheme in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns. The benefits are related to members' earnings when leaving the scheme or retiring, and the length of pensionable service.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, passing of time, or obsolescence through technological or other changes.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996; the Local Government (Discretionary Payments and Injury Benefits) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EVENTS AFTER THE BALANCE SHEET DATE

Those events, whether favourable or unfavourable, that occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

EXTRAORDINARY ITEMS

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

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.

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by the Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HERITAGE ASSETS

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

IMPAIRMENT

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTEREST COST (PENSIONS)

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

INVENTORY

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises, inventories comprise the following categories:-

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and

- Finished goods.

INVESTED RIGHTS

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate, the related benefits for spouses or other dependants.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES

Interest in land and/or buildings:-

- in respect of which construction work and development have been completed; and
- which is held for its investment potential, any rental income being negotiated at arm's length.

NET BOOK VALUE

The amount at which fixed assets are included within the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Non-current assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Non-current assets that are held and occupied, used or consumed by the local authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

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

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

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. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

SCHEME LIABILITIES

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

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

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

