



# Statement of Accounts

**Rugby Borough Council • 2018/2019**



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## **NARRATIVE REPORT**

### **Narrative Report of the Head of Corporate Resources and Chief Financial Officer Financial Year ended 31 March 2019**

#### **Introduction**

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2018/19 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2018/19 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

The style and format of the Accounts complies with Chartered Institute of Public Finance and Accountancy (CIPFA) standards and further improvements have been made to the presentation to make them more user-friendly and accessible.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31 March 2019 and is structured as follows:

1. About Rugby
2. About Rugby Borough Council
3. Governance
4. Our Priorities
5. How your Council is performing
6. Financial Overview of 2018/19
7. Financial Performance in 2018/19
8. Future Financial Outlook
9. Risks
10. Explanation of the Financial Statements
11. Further Information

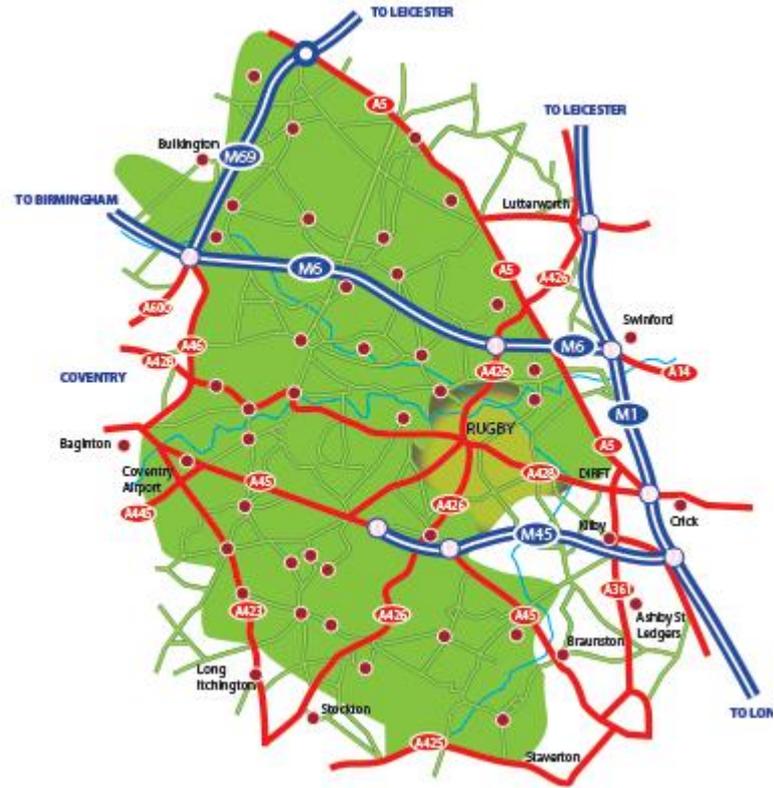
**Mannie Ketley CPFA**  
**Head of Corporate Resources and Chief Financial Officer**  
**31 July 2019**



## 1. About Rugby

Located near the centre of England and stretching from Coventry to the west and to the county borders of Northamptonshire and Leicestershire in the east, the Borough of Rugby is excellently placed for both local economic growth within the West Midlands as well as benefitting from the impact of growth in businesses focussing in logistics. The Borough benefits from excellent transport links with easy access to key motorways with the M6, M1 and M45 directly on Rugby's doorstep and rail services offering residents quick alternative commuting options to Birmingham just over 20 minutes and London within 50 minutes.

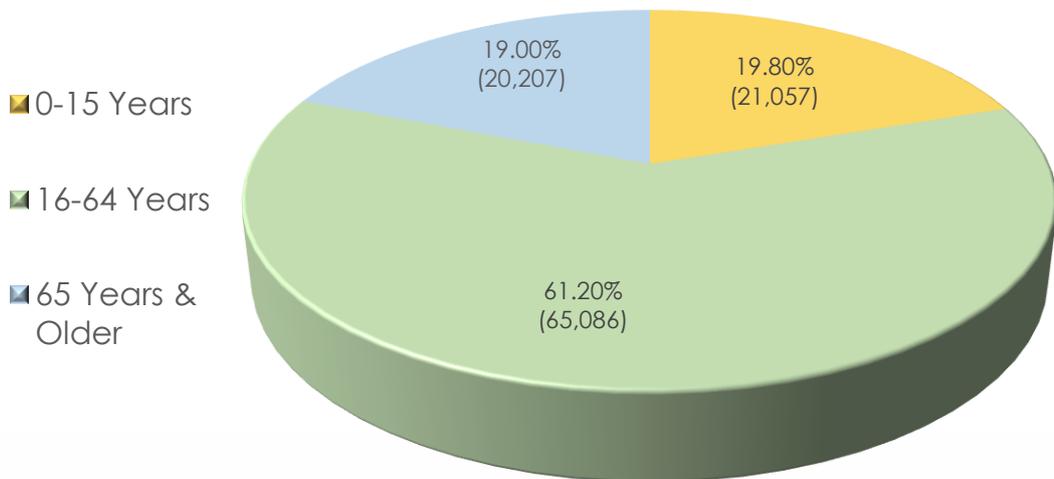
Consequently, the borough has also seen increased 5% growth in population over the last 5 years and currently covers the town of Rugby and 40 rural parishes, with a total population of 106,350 and covering an area of 88,000 acres. The Borough is one of the fastest growing in England with new growth in Houlton, Eden Park, Technology Drive and Cawston.



### Population

Office for National Statistics Mid-year estimates for 2017 reported that Rugby's estimated population was 106,350 with the age profile as presented in the following chart.

Composition of Rugby Population





## 2. About Rugby Borough Council

Rugby is the primary local authority for the Borough, providing popular services such as waste collection, housing, leisure and culture, and development control. The Council is an active partner in the Coventry and Warwickshire Local Enterprise Partnership (LEP), the Coventry, Warwickshire and Hinckley and Bosworth joint committee for economic growth and prosperity and is a non-constituent member of the West Midlands Combined Authority. We use our influence within these organisations to facilitate benefits for the borough including investment in jobs and infrastructure.

Rugby is a pro-growth authority and is home to some major organisations including Cemex, The London Taxi Company, Amazon, DHL and Jaguar Land Rover. Rugby has become the fastest growing town in the West Midlands and in the top ten nationwide, with exciting new housing and job developments.

The Borough is also home to the Manufacturing Technology Centre (MTC) which was established to inspire British manufacturing and the central location places us at the heart of the Midlands manufacturing base. The MTC's proximity to world-class universities, major global manufacturers and innovative small and medium-sized enterprises (SMEs) is vital to their aim of delivering innovative solutions to industry.

Rugby is known all over the world as the birthplace of the game of rugby football. We have demonstrated our commitment to develop and grow the town's heritage tourism by entering into a partnership with World Rugby to open a world class visitor attraction. The World Rugby Hall of Fame opened in November 2016 and has hosted three inductions of rugby stars from nations across the world. See sections 4 and 5 for further details on the Council's achievements during the year.

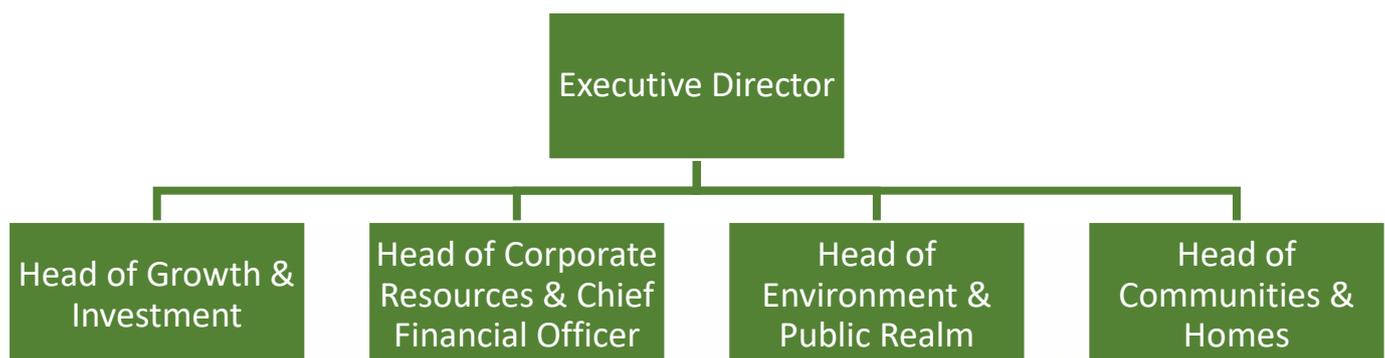
### Political Structure in the 2018/19 Municipal Year

The borough of Rugby has 16 wards and the Council consists of 42 Members and is a Conservative controlled authority. The following table shows the results of the local elections on 2 May 2019 compared to 2018/19:

	2018/19	Change	2019/20
Conservative Group	24	-	24
Labour Group	9	-	9
Liberal Democrat Group	9	-	9
Independents	0	-	0

### Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Senior Management Team, led by Executive Director Adam Norburn.



### 3. Governance

The Annual Governance Statement, which accompanies these financial statements, sets out our governance framework and an assessment of our effectiveness. The statement was prepared by the Corporate Assurance and Improvement Manager and concludes that the overall governance framework continues to provide a substantial level of assurance of effectiveness.

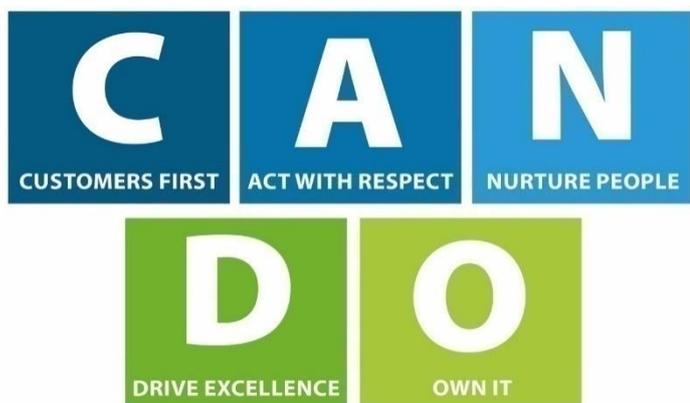
Several enhancements to our governance arrangements were delivered during 2018/19 with examples listed below;

- The risk management strategy was reviewed and updated, and an action plan put in place to ensure the strategy is effective.
- All managers and team leaders received mandatory risk management training; a significant investment by us in good governance, with over 70 members of staff receiving the training.
- Counter fraud, bribery and corruption training was delivered to members and is being rolled out to individual departments with five teams receiving training during the year.
- We have now taken steps to implement changes needed to meet new General Data Protection Regulations and legislation, an internal audit conducted in 2018/19 has provided a framework with further recommendations, which will take place in 2019/20.

In addition, we have built on our new values and behaviours framework by updating the training and development programme, aligning it to the values and a new programme – The Way We Work – has been put in place for new employees. We are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2019/20; this includes development of an information governance framework.

Equality impact assessments are a key element of our governance framework for decision making, and we continue to hold accreditation “excellent” under the equalities framework for local Government.

The service planning process ensures that we target the actions necessary to deliver the Corporate Strategy, and key performance indicators have been developed to ensure that the measures reported are aligned with the Corporate priorities.





## 4. Our Priorities

On the 25 April 2017 the Council approved the Corporate Strategy 2017-20, setting out our priorities for the next three years. Our corporate strapline, "proud of our past, fit for the future," is helping us to focus on providing facilities and growth that give us a strong and prosperous future while preserving and celebrating the best of our past.

Under our strapline we have set three overarching corporate priorities that reflect the need for public services to change and reform.

These are:

- Provide excellent, value for money services and sustainable growth
- Achieve financial self-sufficiency by 2020
- Enable our residents to live healthy, independent lives

### PORTFOLIO: CORPORATE RESOURCES

**We will:**

- Optimise income and identify new revenue opportunities
- Prioritise use of resources to meet changing customer needs and demands
- Ensure that the council works efficiently and effectively

### PORTFOLIO: COMMUNITIES AND HOMES

**We will:**

- Ensure residents have a home that works for them and is affordable
- Deliver digitally-enabled services that residents can access
- Understand our communities and enable people to take an active part in them

### PORTFOLIO: ENVIRONMENT AND PUBLIC REALM

**We will:**

- Enhance our local, open spaces to make them places where people want to be
- Continue to improve the efficiency of our waste and recycling services
- Protect the public

### PORTFOLIO: GROWTH AND INVESTMENT

**We will:**

- Promote sustainable growth and economic prosperity
- Promote and grow Rugby's visitor economy with our partners
- Encourage healthy and active lifestyles to improve wellbeing within the borough

These portfolios, allied with the "can do" approach of our workforce, is allowing us to deliver services that underpin our aspiration to be proud of our past, and fit for the future.

# Summary of Performance 2018-19

1

## Financial Sustainability

The General Fund portfolio position is of an underspend of £460,000 before providing for carryforwards into 2019/20 of £125,000. This leaves a net £335,000 underspend.

	Budget	Actual	Variance
2018/19	15,178	14,843	(335)

At the end of 2018/19:  
General Fund balances are at £2.253m  
Earmarked Reserves are at £7.943m



2

## Self Sufficiency, Growth & Prosperity

Rugby is a pro-growth authority and has seen substantial growth in new builds within the borough.

Year	New Builds in Rugby
2017/18	596
2018/19	939

The housing trajectory inline with the local plan projects that a further **1,004 homes** will be built within the borough of Rugby in 2019/20.



3

## Workforce

How well are we doing in staff wellbeing and recruitment and retention;

Year	Headcount	
2017/18	499	
2018/19	496	

	Long Term Sickness	Short Term Sickness
Working days lost		
2017/18	2,345	3,476
2018/19	2,152	3,174



4

## Homelessness

The average number of quarterly Homelessness applications has risen by around **45%**.

Year	Avg Qtrly Approaches
2017/18	98
2018/19	142

The Private Sector Leasing Scheme (PSLS) accommodation increased to 61 units in year, which will house local people in housing need.

Homelessness prevention interventions rose from 163 to 194 since last financial year.



5

## Communities & Wellbeing

The number of Green Flag awards for the Parks & Open Spaces of Rugby;

Year	Green Flag Awards
2016	2
2017	5
2018	5

In addition, continued support from volunteers within our Parks services are at a record high of 11,727hrs, which represents a 15% increase compared with 2017/18.



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## HRA Housing Stock

The Council owns its own housing stock which has developed during the year as follows:

	Housing Stock
Opening Stock	3,779
Right to buy (RTB)	(20)
Additions	27
Closing Stock	3,786

This breaks down as follows:

Property Type	2017/18	2018/19
Houses/Bungalows	2,145	2,151
Flats	1,634	1,635



## 5. How your Council is performing

Rugby has seen continued growth in the local economy with increases in new businesses trading. Elliott's Field retail park has now been fully extended to cater for the furniture and home market. Rugby Gateway located at the heart of the Logistics "Golden Triangle" is now fully occupied by H&M, Hermes, DHL and Amazon. This is alongside an increased population of 5% over the last five years resulting from new housing developments.

However, this presents challenges resulting from increased demand for Council Services, cost of growth and how this is delivered within the limited available resources.

In addition, we have been impacted by funding cuts over the last 9 years with significant reductions in core funding streams, most notably:

- Revenue Support Grant (RSG) has reduced from £3.200m in 2013/14 to zero in 2019/20.
- A loss of £2.500m New Homes Bonus (NHB) income over the last three years due to the phased reduction in legacy payments from six years to four years.

This is because of austerity measures and changes in funding methodology which is set to continue in future years with radical changes expected from the Business Rates baseline and Fair Funding review.

Consequently, members have been required to make some difficult decisions to ensure that Rugby is fit for the future. The outcome of these decisions has successfully enabled the Council to prepare for the anticipated radical Government funding changes in 2020/21 which are expected to present a significant adverse impact to Shire districts and Borough councils. Section 8 provides greater detail on this.

Our commitment to monitoring and future planning has been vital both from an operational and financial perspective to ensure that there is a balanced approach to the medium term which considers the financial challenges and the council's ability to deliver value for money services to an increasing population.

This has been achieved to date through conducting service reviews and restructures to adapt to the changing environment, investment in digitalisation which is enabling us to deliver outcomes in a more effective and efficient way and financial planning that provides for potential risks with a controlled and measurable approach.

During 2018/19 we have experienced both financial and operational pressures and opportunities which have been either mitigated or developed and included within the budget setting process for 2019/20. These include;

- In year pressure seen within homelessness services – a 45% increase in applications to the service resulting in more reliance on expensive Bed and Breakfast accommodation early in the year. Mitigating actions, including an increase in units held via the Private Sector Leasing Scheme (PSLS) helped to alleviate this pressure. Longer term demand is to be addressed via the £13m Housing Acquisitions Fund
- Recruitment and retention of staffing continues to be an on-going challenge Council wide in an environment where the necessary skills and experience are in short supply and the organisation's current average salary is in the lower quartile. The impact of this is reflected in the outturn position with further details within section 7.
- Impact of changes in legislation on the Council especially the removal of the Limit on Indebtedness ("debt cap") from the Housing Revenue Account which provides an opportunity to review the number of new homes that can be built or acquired whilst taking account of the need to redevelop the high-rise sites at Biart Place and Rounds Gardens.

The Council's commitment to continuous improvement and lean ways of working is seen in services across the organisation with the following summarising the notable achievements during 2018/19 and later sections providing a more detailed overview of value for money.

- We wish to strengthen our relationships with local schools to encourage local young people to see Rugby Borough Council as an employer of choice. Part of this work has involved the HR team supporting careers events locally.
- Efficiencies through digitalisation continue with the planned introduction of several high priority systems that will create efficiencies and cost savings. In addition, the imminent introduction of a new Planning system will see many of their processes streamlined.
- Improved services to the residents of Rugby Borough through additional online services which are now available to the community through the new self-service portal increasing the number of people utilising out of hours interactions leading towards a more accessible council:
  - Find My Bin Day – Residents can check online when their bins are due for collection.
  - Grant Applications – Organisations can now apply for the Community Grants scheme through the online portal.
  - Fly tipping report – Allows residents to fill out an online form to report incidences of fly tipping any time of the day/night.
  - Open Portal – Allows residents to check their council tax bill, print it, check the progress of their housing benefit claim, view or print a copy of their housing benefit or council tax reduction award calculation and report a change of circumstances online.
- We are about to pilot the use of chat-bots which utilise Artificial Intelligence to simulate conversation with human users.
- Successful forward planning to meet the overall priority to 'Achieve financial self-sufficiency by 2020' with any anticipated excess growth in business rates set aside help manage the expected cliff edge created from the funding changes in 2020 from Business Rates Baseline and Fair Funding.
- An end to end review of taxi, alcohol and all other licensing services



## How our activities align with our Corporate Priorities

### Corporate Resources – Portfolio Performance

#### Optimise income and identify new revenue opportunities

The 2018/19 budget included additional income proposals of £1.023m which combined optimising existing charges by ensuring they kept up with inflation, recognising where services had successfully increased their sales volumes, such as trade waste, as well as identifying new opportunities to recover income on a cost per use basis such as expanding the Handyman service. However, some of these increases were required to offset the reductions in income budgets which had been identified as a result of known contractual variations.

Our commitment to working in partnership and sharing good practice has generated cash efficiencies through income generation and cost recovery. During 2018/19 the shared services we have with Nuneaton have now been extended to provide GDPR support during 2018/19 and an annual income stream which has been factored into the budget for 2019/20.

This is strengthened within the Medium Term Financial Strategy through the requirement to perform an annual review of charges where it makes it clear that 'as a minimum' the fees and charges will be increased in line with inflation rates.

We have improved our Treasury Management performance as follows:

- Reducing our Net Cost of Borrowing by £0.122m in 2018/19
- Increasing our average rate of return on investments by 0.2% year-on-year to 1.4%, or 0.7% greater than our benchmark 3-month LIBID

In addition, as part of the budget setting process there are proposals which will explore opportunities to generate further income during 2019/20. This annual review enables us to provide reassurance we are continuing to take opportunities, where necessary, to not only recover costs in additional services provided by the Council that are deemed as chargeable over and above Council Tax but also deliver our priority to 'Achieve financial self-sufficiency by 2020'

#### Prioritise use of Resources to meet changing customer needs and demands

##### Digitalisation

The channel shift for Green Waste has been a huge success, with transactions shifting to self-service from face-to-face and telephone contact. Over 70% of Green Waste signups are now happening online.

We have moved our green bins collection rounds planning to the software 'WebASPX', which means that we have been able to improve the efficiency of our route planning, which reduces carbon emissions and cost per mile. Customer Services Assistants also have access to real-time data which means they can improve the service to customers enquiring about bin collection issues. This will continue into 2019/20 as Refuse and Recycling rounds are also loaded into the web interface of WebASPX.

The complete digitalisation of the Grants Application system has been a huge shift for all stakeholders, and we have yet to reach the end of the project, but initial feedback has been positive.

As at 31 March 2019 we had 52% of accounts signed up for e-billing for NDR and 20% signed up for e-billing for Council Tax. We have had 750 Open Portal sign-ups up to 31/03/2019, which takes the total number of tax payers registered to manage their accounts online to 6,793.

### Our Staff

Our staff are our most valuable asset and 2018/19 saw us introduce a new HR strategy consisting of 6 principles;

- Attract and retain a CAN DO workforce
- Develop leadership
- Build workforce skills and capability
- Nurture employee engagement and wellbeing
- Continuous review of terms and conditions and remuneration
- Provide an excellent HR service



We continue to promote and embed our corporate values which recognise the value and importance of Council staff in every aspect of our work and sets out our expectations. We have embedded our **CAN DO** Corporate Values in a number of different ways including through employee 1:1 meetings, development initiatives and training alongside a commitment to ensure staff well-being is prioritised.

We as a Council continue to monitor and investigate the reasons for sickness and in 2018/19 the top reason for sickness was due to stress, depression and anxiety. As a Council we are taking a proactive approach to support our staff by introducing Mental Health First Aiders within the Council who have received significant training to enable them to support and signpost our employees experiencing mental health issues.

During 2018/19 work has been underway in preparation for the Council's year of Health and Wellbeing and we as a Council have signed up to "Thrive at Work" which is designed to encourage employers to improve the health and wellbeing for their employees with the overall aim to have a happier, healthier and more productive workforce. The detailed action plan will be put in place following the outcome of the employee survey.



As part of developing our staff we took part in the Local Authority Challenge, which involves aspiring staff to work together in a team to "run a fictitious failing Council" against other Local Authorities in the West Midlands. There are a number of awards for the day and we are proud to say that our team representing Rugby Borough Council won the overall prize for best team and also scooped the award for best presentation.

During 2018/19 staff received:

- 1170 training places on 78 courses
- 149 staff took 225 E Learning courses

The Council employs 10 apprentices working towards either their level 2 or 3 customer care qualifications with a further 10 staff receiving training funded by the apprenticeship levy.

## Ensure that the Council works efficiently and effectively

### Optimise the use of our land and assets

At the beginning of 2019 the council was awarded a government grant of £165,000 towards reviewing the suitability and options for redevelopment of the Town Hall site. The resulting feasibility study will include private, public, third sector partners and adjacent land owners. In the wider context the aim is to include this site in a review of town centre assets to promote growth, investment, and regeneration of Rugby town centre as a whole. Development of this site provides great potential to enhance an important gateway into the town centre. Options to be considered will include building new homes, shared office and business facilities and better space utilisation by the Council and other public and private partners in the town.

After a successful marketing campaign, the Council has agreed terms to sell 4.2 acres at the market quarter near the railway station for the development of three hundred and sixty apartments which will be rented out to private householders. This will provide much needed homes on a very sustainable brownfield site with proposals including a park area and outdoor gym. The development will help link the town centre to the railway station with a green pedestrian route through to the station. This development will enhance the locality and the attractiveness of the town when viewed from the critical transport link of the railway station by the many commuters who travel through, to, and from, the station on a daily basis. The planning application for the development is currently under review by the Council.

A series of business cases and reports have been prepared for garage sites to build out new homes or improve their environment or usage. One business case includes the building of eight affordable modular homes. Development of these sites will provide much needed new homes on brownfield sites, enhance neighbourhoods and help reduce anti-social behaviour.

Also, in 2018/19 the Council took the decision to redevelop the high-rise block sites at Biart Place and Rounds Gardens following reports to Council in April 2018 and February 2019. They explained that survey work to understand future maintenance needs had found that the blocks were of a poor build quality. Initial work on the costings to renovate the blocks found that they were beyond economic repair, with repairs estimated at £50.000m compared to replacement schemes costing £51.000m.

The redevelopment schemes will provide a minimum of 313 affordable homes on the sites to replace the demolished flats.

Residents from the Biart Place properties were provided with a compensation package and all residents were successfully rehoused ahead of the 31 March 2019 target. Residents from Rounds Gardens will be rehoused gradually over a 3-year period to 2022 and receive the same compensation packages made available to the residents of Biart Place.



During 2018/19 Homes England grant funding of £0.180m was utilised to support the acquisition of 4 council homes via the open market, releasing Right to Buy receipts to be utilised for other projects, including the Housing Acquisition Fund. In addition, we have:

- Purchased 22 brand new affordable homes at Cawston. By April 2019 a total of 34 new homes were acquired from this development.
- Exchanged contracts on the purchase of 6 brand new affordable homes at Coton Park

#### Improved service delivery via customer focused reviews

We have employed Systems Thinking methodology for many years to deliver improvements for our customers. This has helped us to operate as efficiently and effectively as possible, whilst ensuring the customer is at the heart of our service provision and delivery. During 2018/19 the following areas were reviewed:

- Bulky waste and fly tipping, to establish if we can improve the process of requesting these services as we move the process on-line
- Process mapping for how we deliver services to clients in Housing to enable optimisation of processes when the new Housing Management System becomes operational in 2019/20
- The digitalisation of waste services through route optimisation
- An end-to-end review of taxi, alcohol and all other licensing Services

The Council has many teams across the organisation that undertake responsive works, planned/preventative and compliance activities in respect of assets. The implementation of a Corporate Asset Management System will provide centralised system management of all council assets and also any non-council owned asset works undertaken, to realise benefits of working in a more joined up, consistent, efficient and effective manner and the provision of comprehensive data to support strategic and operational decision making.

## Communities and Homes – Portfolio Performance

### Ensure residents have a home that works for them and is affordable

#### Our housing

The following investment has been made in our housing stock this year:

- 110 properties were fitted with new kitchens
- A total of 120 bathrooms were upgraded
- Heating upgrades of approximately £0.320m, equating to around 190 new installs for combination boilers.
- Adaptations to 92 dwellings to assist tenants with independent living including:
  - Installation of 49 level access showers
  - 5 stairlifts
  - 5 ramps

In relation to supporting and managing the tenants of our own housing stock:

- We've sustained 46 tenancies where we avoided evicting tenants.
- We've successfully resolved 100 Anti-Social Behaviour (ASB) cases.

#### Homelessness

The focus on providing homes that are affordable includes the priority to reduce homelessness, making better use of existing homes and helping to ensure that residents live independently in their homes.

Homelessness represents an increasing service and financial pressure. 2018/19 saw a 45% rise the level of homeless applications received by the Council compared to 2017/18. The number of Bed and Breakfast placements rose to a high of 36 in June 2018 and was the most significant contributing factor in a gross overspend of £0.266m before applying a service specific grant of £0.225m.

Number of homeless preventions made by Rugby Borough Council	
2017/18	163
2018/19	194

To mitigate this pressure and provide a more permanent solution, the Private Sector Leasing Scheme (PSLS) portfolio of private sector accommodation increased to 61 units in year, which will house local people in housing need.

Despite these measures, demand on the service remains high. Without further action a revenue pressure was forecast of £0.500m in 2019/20. Consequently, in December 2019 Council accepted a recommendation to create a Housing Acquisition Fund of £13.000m. The fund will be utilised to secure temporary accommodation and thus alleviate the pressure upon the General Fund from more expensive responses such as Bed and Breakfast Accommodation. To date, the fund has acquired £0.450m worth of land and property which, when built out, will provide 15 homes for families and individuals when let.

#### Universal Credit

Since May 2016, there has been a significant increase in the number of residents claiming Universal Credit (UC), with the total reaching 3,700 claimants by March 2019. Issues with the implementation of the scheme have been well publicised on a national basis.

We are supporting those affected by UC by providing help to make the initial claim and also to maintain their claim through their online account. We have also been assisting those who need help with budgeting. These initiatives have been delivered in partnership with the Citizens Advice Bureau and the Benn Partnership.

The introduction of UC, in tandem with Real Time Information (RTI) supplied by the Department for Work and Pensions (DWP) has led to a decrease in the level of housing benefit overpayments recorded in 2018/19 compared to prior years.

However, the roll out of UC has also contributed to an increase in the number of our tenants in arrears, due to the time it is taking for DWP to process the claims and increasing the need to provide for bad debt. There were approximately 650 Council tenants in receipt of UC at the end of March 2019 and rent arrears exceeded a total of £0.450m.

### Sheltered Housing

NHS surveys suggest one in three adults over the age of 65 who live alone will have at least one fall a year. Our sheltered housing accommodation enables individuals to live as independently as possible, aided by our assistive technology, 'Lifeline'. The service provides a 24-hour emergency helpline with a unique responsive call-out when emergency contacts cannot be reached. The knowledge that help is at hand at all times provides peace of mind to individuals and their families. The expansion of the service through the sale to the wider public has proved successful in reducing service charges to tenants and generating a funding stream to the General Fund. The customer base was increased in 2018/19 and estimates for 2019/20 include provision for a further expansion of the service.

### Understand our communities and enable people to take an active part in them



#### Rugby Lotto

Rugby Borough Council has partnered with the lottery provider Gatherwell to launch the Rugby Lotto; a community lottery to support local good causes. The lottery was officially launched in February 2019 where good causes from in and around Rugby learnt how the Rugby Lotto could benefit them. 24 organisations have already signed up to benefit from the sale of the Lotto tickets including Hope4, Pawprints Dog Rescue and Rugby Autism Network.

The Lotto allows players to select an organisation they wish to support or support the community which supports all of the local causes. Players then have the opportunity to win prizes up to £25,000 with the purchase of a £1 ticket each week, with odds better than the National or Health lotteries.

The good causes retain 50% of the price of all ticket sales they generate, with a further 10% going into the "Rugby Community Fund", with the remaining 20% going into the prize pot, 17% to the lottery operator and the last 3% is the VAT element.



## Environment and Public Realm – Portfolio Performance

### Enhance our local, open spaces to make them places where people want to be

This year saw the installation and opening of the new play area at Whitehall Recreation ground, the new play area and adjacent musical interactive area mark a significant step forward in what is hoped to be a major revamp of the recreation ground.

2018/19 was also a successful year for our parks and open spaces, with recognition for:

- **Well managed parks and green spaces** - A Green Flag award for Caldecott Park, Centenary Park, Millennium Green, Rainsbrook Cemetery and Crematorium and Gladstone Green Pocket Park. Which includes Caldecott Park securing this award for the eleventh year in a row.
- **Britain in Bloom** – Rugby Borough achieved a Gold Award in the regional Heart of England in Bloom campaign.
- **Diamond Wood** – The Council was awarded the Access Award for excellence in delivering enhanced equestrian access.



### Continue to improve the efficiency of our waste and recycling services

During 2018/19, the waste and recycling service continued to progress towards digitalisation. This has included the transfer of paper-based records to digital formats, further work towards re-organising round structures, installation of a digitalised weigh bridge, preliminary work to provide an improved customer interface and progress in using technology to allocate tasks.

### Protect the public

There are a number of initiatives that have been undertaken to continue to protect the public.

- **Private Sector Housing Charter** – On 28th February 2019 Council adopted the Private Sector Housing Charter. It sets out standards that the law demands from all private landlords and agents, including lettings procedures, tenancy deposits, complaints, and health and safety. Rugby Borough Council and all partner organisations signed up to the charter with the aim of ensuring that landlords meet the standards.
- **Public Open Spaces** – New Public Spaces Protection Orders were adopted during 2018/19 with regards to several key areas; dog control, use of intoxicating substances in the town centre, and tackling nuisance behaviours at Newbold Quarry.
- **Licensing** – Following new legislation that came into effect from 1 October 2018 regarding the licensing of Houses in Multiple Occupation (HMO's), the service has seen an increase in issuing of these licenses and has employed a dedicated officer to enforce the new legislation.

## Growth and Investment – Portfolio Performance

### Promote sustainable growth and economic prosperity

#### Adopt an ambitious Local Plan

The Local Plan was submitted for independent examination in 2017. A Planning Inspector was appointed who undertook hearings which have recently completed. Following a period of consultation on modifications and receipt of the Inspector's report the Council will meet on 4<sup>th</sup> June 2019 to consider the Inspector's final report and whether to adopt it.

### Promote and grow Rugby's visitor economy with our partners

The continued success with our partners to promote and drive visitor economy into the borough has once again seen mass appeal for events such as:

- **Rugby Festival of Culture** – The 3-week event showcases a wide range of local artistic talent and has developed to become one of the largest cultural events in Coventry and Warwickshire since its launch in 2010.
- **Rugby Bikefest** – A fun filled family-friendly event with displays of vintage and modern bikes, stalls, children's activities, music and food. With the highlight of the day being the "ride in" where hundreds of bikes roar in to the town centre creating a fantastic spectacle along the way.



#### Hall of Fame

The World Rugby Hall of Fame which was opened in November 2016 has received 21,400 visitors. In February 2018, it was announced that a 'Presenting Partner' sponsor has been secured for the attraction, resulting in a £0.600m sponsorship.

In November 2018 the World Rugby Hall of Fame introduced the Annual Pass, which provides visitors 12 months free re-entry for the price of a single ticket. A programme of family activities, competitions and evening events were introduced to promote the Town's heritage as "birthplace of the game", including hosting "An Evening of Rugby" with Sir Clive Woodward.

Also, introduced this year was the "Rugby Experience" a collaborative ticket providing entry into the World Rugby Hall of Fame, Rugby School Museum and a tour of the town by one of the Rugby Town Guides.



Celebrate our cultural and artistic heritage through Rugby Art Gallery and Museum, The BENN Hall and events and festivals



The Rugby Art Gallery has held a number of major exhibitions this year including Peter Rabbit: Mischief and Mayhem. The exhibition told the story of the creation of Peter Rabbit and included original, rarely exhibited works and manuscripts, in addition to an interactive area for children to engage with the work and immerse themselves into Peter's world. Aimed at families with young children, the popularity of this exhibition allowed for sponsorship from local partners and businesses recognising their social responsibility and commitment to the residents of Rugby. A total of 12,000 visitors attended the exhibition which has had a positive impact on visitors into the Town Centre and provided an overall benefit to the local economy.

The Benn Hall has also seen its fair share of exciting events this year with highlights such as the Mad Science event held during the school summer break, which sold almost 500 tickets across two shows in usually the quietest season. In addition to events that the Benn Hall put on, it also hosted sell out acts such as The Dublin Legends and Abba Tribute act.

## Encourage healthy and active lifestyles to improve wellbeing within the borough

Our encouragement of healthy and active lifestyles to improving overall wellbeing in the borough is demonstrated by:

- **Swim School membership** - at the Queen's Diamond Jubilee Centre sits above 90%, with over 2,161 members.
- **Sports Development** – are working with residents to help promote active lifestyles through events such as walking, football and indoor bowls.
- **Family Lifestyle Programme** – Rugby continue to operate and promote the family lifestyle programme offering families with children between four and twelve a nine-week programme providing support around healthier lifestyle choices.
- **Sports Awards** – where the Council annually recognise and reward the borough's most dedicated and talented sports people, with a number of awards including sportsman, sportswoman, lifetime achievement and volunteer of the year.



## Approach to partnership working

We endeavour to work collaboratively with other public service organisations to provide a seamless service to the customers we serve and to ensure that Value for Money is achieved with the limited resources available. In addition, there is continued liaison and collaborative working arrangements with community and voluntary to ensure that customers feel empowered, protected and satisfied. Some examples include;

- **Environmental Crime** - We have been able to assist Harborough District and Warwick District Councils by leading their fly tipping investigations.
- **LGBT+** - Rugby had commissioned Warwickshire Pride to research the views and experiences of LGBT+ individuals and communities in Rugby. This has found that the abuse against LGBT+ communities is much greater than the national average. The Council is alarmed at the findings and have agreed an action plan with Warwickshire Pride and with EQUiP to help address these issues. One of these actions was to raise awareness by flying the Rainbow Flag during key dates within the LGBT+ calendar.
- **Volunteering** - Supported a record 13,064 hours of volunteering within both our green spaces and Rugby Art Gallery and Museum.
- **Rainsbrook Crematorium** - This is jointly operated between Rugby and Daventry Councils and has now successfully completed its 4<sup>th</sup> year of operation.
- **GDPR** - With the introduction of General Data Protection Regulations Rugby Borough Council will provide support to Nuneaton and Bedworth Borough Council with the new General Data Protection Regulations.



Further details of our partnership working can be found within the Related Parties note 35.

## 6. Financial Overview of 2018/19

The approved budget for 2018/19 included savings and income proposals totalling £1.836m which have been successfully achieved during the year.

Some of the targets which members set for delivery as part of that savings strategy were:

- £0.196m staffing related savings
- £0.168m from route optimisation in the waste service
- £0.160m from the implementation of a digitalisation programme
- £0.150m relating to a fees and charges review, more specifically a 20% increase was applied to planning fees following a change in legislation.

Whilst the Council continues to make efficiencies and drive forward the key corporate priority of self-sufficiency, this does not take away from the significant challenges that are faced in future years as reported in the Medium Term Financial Strategy

### Our Medium Term Financial Strategy

On 24 April 2018, the 2018-22 Medium Term Financial Strategy (MTFS) was approved by Council. The MTFS outlines the key principles and financial policies required to enable us to meet our objectives and achieve the ambition of becoming financially self-sufficient by the end of the decade. This has been defined as:

*"...necessary to remove reliance on arbitrary funding from central Government, which does not sufficiently keep pace with changes in local factors and the needs of the population. Instead, sources of income for the Council need to result from decisions the organisation makes; be that from service charges, local taxation, economic growth or investment income. Alongside income, it is equally important to be able to directly control the Council's expenditure; by reducing exposure to changes from other organisations and ensuring procurement is smart."*

#### Achieving financial self sufficiency

Our pro-growth agenda has put us well on our path to achieving self-sufficiency, however the future financial outlook with anticipated significant changes to Government funding for the sector means we need to adapt our uncertain funding streams to create our own certainty within this unstable financial environment.

To achieve financial self-sufficiency, we will need to reduce the reliance of these riskier funding streams in our base budget. The MTFS explains how we will adapt these more uncertain funding streams to start to create our own certainty within this unstable finance environment.

## Business Rates

The main financial risk we face is an impending reset of the current retained business rates retention system. The reset presents twin risks, specific to the resets of both the 'funding baseline' and the 'business rates baseline'. These risks are expanded in the following sections.

### Funding Baseline

Funding baselines for local authorities are based on an assessment of local authorities' relative needs and resources. The methodology behind the funding allocations was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government in 2016/17 announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

The design of this system or the direction and magnitude of the reallocation of funding will not be known until the final outcome of the review which will not be expected until Autumn 2019. The Council's funding baseline for 2019/20 and future years is averaged at £2.400m and as such this amount of funding is at risk from the outcome of the Fair Funding Review.

### Business Rates Baseline

As previously stated, we are a pro-growth authority and have taken a proactive approach to generate growth in our local economy. Consequently, we have benefited from retaining a proportion of the additional business rates generated in the borough and therefore we are above our business rates baseline level.

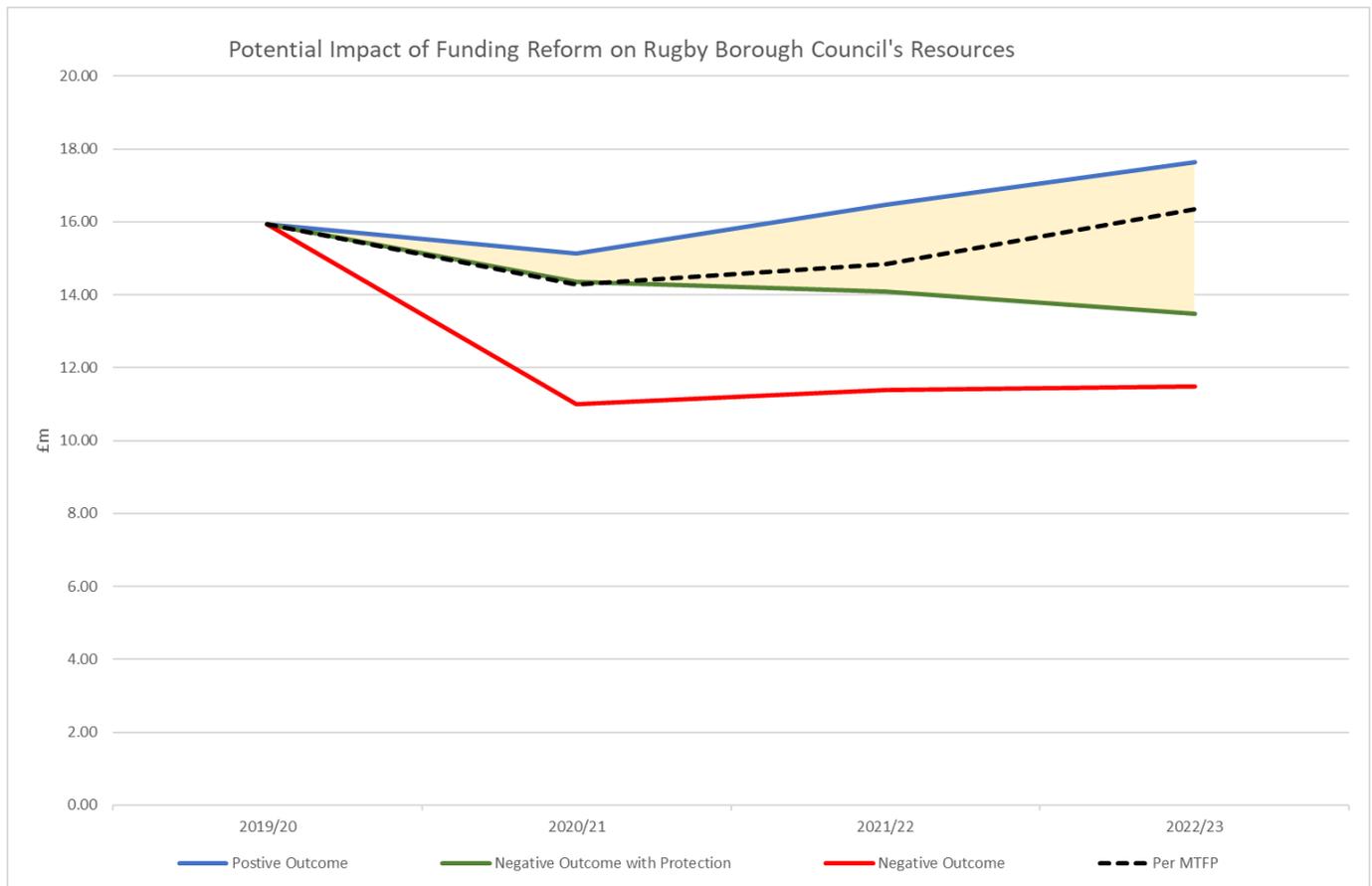
However, there are several risks that the Council faces due to the forthcoming funding reform, the most significant are:

- Loss of all existing growth due to the Business Rates Reset
- The outcome of the Fair Funding Review providing a reduction in our assessed funding need
- Significant changes to and possible end of the New Homes Bonus scheme.

This uncertainty makes financial planning for 2020/21 and beyond extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes. If all three came in to effect, cumulatively the potential losses aggregate to a sizable financial loss, however this is not considered a realistic scenario and it is expected that there will be transitional protection built into the system to prevent authorities from losing more than a set amount each financial year.

At this stage, it has been assumed that maximum loss of resources in 2020/21 will be capped at 10%, which for Rugby will be approximately £1.000m. Therefore, this protection has been built into the medium term plans to ensure the forecasts are not too pessimistic, enabling considered decisions to be made in order to balance the budgets.

The following chart shows a range of different financial outcomes that might arise for Rugby Borough Council across the medium term.



The **dotted grey** line represents the funding position, as per the Council's Medium Term Financial Plan (MTFP) assumptions. It shows that during the early stages of the MTFP, the Council's funding does drop but because of the transitional protection the losses are limited to 10%. However, later into MTFP the Council again begins to benefit from growth in business rates and NHB.

The **red** line presents a scenario where a negative or unfavourable outcome from the funding reform is delivered, but where there is no transitional protection in place. Under such a scenario, the Council would see deeper reductions in its resources reduce between 2019/20 and 2020/21.

This would represent approximately £4.900m or 31% reduction in total resources and would increase our budget gap by £3.000m.

Such a negative scenario is considered too pessimistic, as it would be extremely challenging for the Government to deliver such reform. Therefore, the **green line** on the chart represents the same a negative outcome (as per the red line), but where transitional protection is provided. In this situation the Council's funding would drop on a more gradual basis across the medium term.

The **solid blue** line presents a scenario where a positive or favourable outcome from the funding reform is delivered for Rugby Borough Council. It shows that during the early stages of the MTFP, the Council's

funding does drop but because of the transitional protection the losses are limited to 5% between 2019/20 and 2020/21. However, later into MTFP the Council again begins to benefit from growth in business rates and NHB.

## Housing Revenue Account (HRA)

### Rents

During 2016 the Government introduced a number of changes to the social housing market via the Welfare Reform and Work Bill and the Housing and Planning Bill, which had a direct impact upon future funding and costs to the HRA. Notably this included the requirement to reduce rents by 1% a year for four years commencing April 2016. To fund the income deficit, a mixed approach was adopted of identifying savings across the housing service and restructuring the HRA debt portfolio profile. A central government consultation on Social Rent policy confirmed that policy will revert to allowing registered providers to increase rents by CPI plus 1% from 2020/21.

### Future Limits on Borrowing ("the debt cap")

Following lobbying from the sector regarding the financing capacity to deliver new homes, the Government removed the limit on indebtedness ("debt cap") from the HRA in October 2018. The cap for Rugby Borough Council had been £83.000m.

In the absence of a regulated debt cap we have examined alternative measures to ensure the Council complies with the Prudential Code for Capital Finance in Local Authorities. The Code advocates a principles-based approach which allows each local authority to determine its own prerequisites, whilst taking account of any statutory requirements.

Within the registered social housing provider sector, the nearest peer group to local authorities are housing associations. When seeking investment housing associations are typically assessed by commercial funding bodies on their interest cover metric. This examines the level of net rent generated by the organisation in comparison to its forecast debt costs. Typically, a ratio of 2:1, that is, net rent at double the level of debt costs is considered prudent to mitigate risks. Rugby Borough Council's current HRA interest cover level is 7:1, that is net rent is seven times more than its debt costs. Sensitivity analysis was undertaken regarding future interest rate expectations in conjunction with treasury advisors to gauge the level of sustainable borrowing. At rent setting in February 2019, assuming a central case of future interest costs at 3.10%, the Council agreed a new local limit of £110.000m set with regard to the HRA's interest cover ratio. The local limit will be reviewed at regular intervals and Council approval sought for any changes.

Without the lifting of the debt cap, and in the absence of significant Government funding, the scale of the redevelopment schemes at Biart Place and Rounds Gardens would most likely have required special dispensation from the Secretary of State to breach the cap.

### Policy Framework

Several consultations were released by The Ministry of Housing, Communities and Local Government (MHCLG) during the summer and autumn of 2018 including the Green Paper: *A New Deal for Social Housing and Use of Receipts from Right to Buy Sales*. The Council submitted responses to all consultations and is awaiting government response to our proposals.

## 7. Financial Performance in 2018/19

### General Fund

In 2018/19 the total Portfolio expenditure was £14.718m against a revised budget of £15.178m, resulting in an underspend of £0.460m, of which £0.125m has been requested to be carried forward to 2019/20.

After adjusting for carry forwards, net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items the net underspend on Total Net Revenue Expenditure is £0.585m.

### Portfolio expenditure

The year-end position on portfolio net expenditure is set out in the following table.

Portfolio Expenditure	Revised Budget	Actual	Variance (Under)/Overspends	Proposed Carry Forwards to 2019/20	Net Variance
	£000s	£000s	£000s	£000s	£000s
Growth & Investment	3,336	3,389	53	40	93
Environment & Public Realm	6,832	6,593	(239)	46	(193)
Communities and Homes	1,943	1,783	(160)	-	(160)
Corporate Resources	1,172	1,192	20	31	51
Executive Director	1,895	1,761	(134)	8	(126)
<b>Net Portfolio Expenditure</b>	<b>15,178</b>	<b>14,718</b>	<b>(460)</b>	<b>125</b>	<b>(335)</b>
Net cost of borrowing	465	447	(18)	-	(18)
Minimum Revenue Provision	1,929	1,704	(225)	-	(225)
Other corporate items	(2,110)	(2,117)	(7)	-	(7)
<b>Total Net Revenue Expenditure</b>	<b>15,462</b>	<b>14,752</b>	<b>(710)</b>	<b>125</b>	<b>(585)</b>

The following provides an overview of the key variances;

### Salaries – underspend of £0.127m

Overall the Council has faced challenges in the recruitment and retention of staff with employee turnover rate for this year at 13.1% which is marginally higher than the mean average of 11-13% for local councils during 2018/19.

Where services are reviewing a team's activities or restructuring (e.g. impacts due to digitalisation), then posts will be held vacant, maybe filling those vacancies with temporary employees or agency workers to meet demand. Some examples this year include: introduction of route optimisation software for Refuse and Recycling crews; service review of Licensing processes; review of Grounds Maintenance functions; review of Legal, Democratic and Electoral services management structure.

Occasionally interim support is appointed with specific specialist technical skills to meet business needs. In such circumstances, vacancies may be held to finance the cost of the interim.

#### Housing Benefit Payments – underspend of £0.164m

There has been a significant reduction in the overall level of debt associated with Housing Benefit overpayments, partly due to the transition to Universal Credit. Consequently, the contribution to bad debt provision has been reduced resulting in an overall saving.

#### Service Income – overachievement of income £0.624m

The Council's commitment to the corporate priority to '*achieve financial self-sufficiency by 2020*' has empowered services to actively generate income through sharing good practice, joint working with other authorities, reviewing fees and charges and looking for opportunities for cost recovery. As reported this has already proved successful in many areas of the Council providing an overall increase of 7% when compared with income budgets, in Environment and Public Realm portfolio where income targets have been exceeded within Trade Waste and Bereavement Services which have both delivered an excellent service to customers. In addition, the Regulatory Services team has successfully been leading fly tipping investigations for other Local Authorities alongside the development and implementation of a training programme for GDPR within Communications. Both of these examples of joint working are set to continue in 2019/20.

#### Corporate Income and Reserve Transfers

The sources of income from which the net revenue expenditure was financed, together with transfers to and from reserves and balances are set out in the following table to give the final net budget position for the year.

Of this, the main variance was MRP which presented an underspend of (£0.225m) compared to budget, due to slippage on several capital schemes. The main reason for this was due to a delay in the purchase of vehicles pending a review of the fleet. This review is now complete and several replacement vehicles are expected in 2019/20.

	Revised Budget £000s	Actual £000s	Variance £000s
Total Net Revenue Expenditure	15,462	14,752	(710)
Revenue Support Grant	(153)	(153)	-
Retained Business Rates	(5,460)	(5,753)	(293)
Council Tax	(7,439)	(7,439)	-
New Homes Bonus Grant	(2,106)	(2,106)	-
Other Grants	(296)	(311)	(15)
Collection Fund Deficit	112	112	-
Total Corporate Income	(15,342)	(15,650)	(308)
Carry forward from 2017/18	(354)	(354)	-
Carry forward to 2019/20	-	125	125
Contribution to Budget Stability Reserve	(100)	(100)	-
Contribution to Business Rates Equalisation Reserve	553	846	293
Transfer from GF Balances	(219)	(219)	-
Total Transfers to and from Reserves and Balances	(120)	298	418
NET POSITION	-	(600)	(600)

### General Fund Balances

The previous table shows that the final position was an underspend of (£0.600m). After accounting for the budgeted £0.219m contribution from the General Fund, to fund in-year budget adjustments, a net £0.381m was added to General Fund revenue balances. In line with the risk assessment undertaken £1.198m was then moved into other earmarked reserves to provide assurance against the assessed risks in budget stability over the medium term.

### Corporate Savings

The annual corporate savings target of £0.360m has been fully delivered in 2018/19 with the following key savings contributing to the achievement of this:

- Salary Savings through both General Fund and HRA through vacancies during the year of £0.247m. These have mainly existed within Environment and Public Realm
- Recurrent savings through digitalisation totalling £0.041m.
- Other ad-hoc savings of £0.072m across the services.

### Collection Fund

#### Council Tax

The amount credited to the General Fund in 2018/19 for council tax income is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will feed through into a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2018/19 the actual cash position for council tax was an overall surplus of £0.129m. This will be distributed between ourselves, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement. Our share of the surplus is £0.015m and this will be credited to the General Fund budget in 2020/21.

#### Business Rates

The Council sets its business rates budget for 2018/19 based on the NNDR1 form that was submitted to Government on 31 January 2018. It was forecast that the Council would collect £48.800m of business rates during 2018/19, of which Rugby Borough Council would retain £5.500m

The actual business rates income collected goes through the Collection Fund so that it can be distributed between ourselves, Central Government and Warwickshire County Council in relevant shares.

At year end there was a deficit of £1.020m compared to the 2018/19 budget. This deficit arose in 2018/19 due to a delay in the Valuation Office bringing new properties onto the Rating list e.g. Amazon at Gateway. There was also an increase in the appeal provision, with our share increasing from £4.437m to £5.222m. Our share of the deficit is £0.408m and this will be charged to the General Fund budget in 2020/21 but this can be met from previous year surpluses that sit in the Business Rates Equalisation Reserve. This reserve has been created to not only to manage cashflow issues within the scheme but also earmarked to mitigate risks faced within the budget planning process across the medium term.

However, some parts of the business rates retention system operate outside of the Collection Fund and are a direct charge to the General Fund. The main aspect of this is the levy that we have to pay Government each year, which is equivalent to 50% of our share in the growth of local business rates. As a result of the lower business rates recorded in the Collection Fund, the £2.957m levy that we paid to Government was more than budgeted, resulting in an adverse variance for the General Fund.

We are a member of the Coventry & Warwickshire Business rates pool (the Pool), which operates to allow partners to work together, so that we can retain a greater proportion of any business rate growth within the

Pool area. Our 50% levy of £2.957m is therefore also offset by a pooling gain and in 2018/19 we gained £0.582m from our pool membership, which was higher than the budgeted amount of £0.200m.

As a result of the lower levy and higher pooling gain, plus some additional s31 grant funding from Central Government, the overall income received and charged to the General Fund for 2018/19 was higher than estimated and resulted in an in-year surplus of £0.293m, which has been transferred to the Business Rates Equalisation reserve to offset the £0.408m deficit that will be factored into the budget for 2020/21.

In summary:

- As a result of this partial Collection Fund model for business rates, there is a positive variance against budget, even though the actual 2018/19 cash performance was adverse.
- This positive variance of £0.293m has been transferred to the Business Rates Equalisation reserve.
- The actual deficit on collection in 2018/19 will be charged to the General Fund budget in 2020/21, met by the Business Rates Equalisation Reserve.

The following table details the outturn position and our share of the year end surplus of £0.293m which has been transferred to the Business Rates Equalisation Reserve.

	Revised Budget £000s	Actual £000s	Variance £000s
RBC share of NDR Income at 40% (as per the NNDR1 forecast)	(19,506)	(19,506)	-
Less Tariff	12,767	12,767	-
Gross Amount Retained	(6,739)	(6,739)	-
Section 31 Grants	(1,209)	(1,357)	(148)
Levy Payment	2,688	2,957	269
Coventry and Warks BR Pool Income	(200)	(582)	(382)
Net Retained Income	(5,460)	(5,721)	(261)
MHCLG 2017/18 reconciliation payment	-	(32)	(32)
Total Business Rates Income	(5,460)	(5,753)	(293)

## Housing Revenue Account

The original reserve assessment approved in February 2018 recommended maintaining HRA balances at £1.431m, to mitigate the impact of the 1% rent reduction instigated by Government for the period 2016/17 to 2019/20. On 24 April 2018, Council approved the diversion of the budgeted £4.900m Voluntary Revenue Provision (VRP) in 2017/18 for the repayment of debt to revenue reserves in order to supplement HRA revenue resources to prepare for the potential pressures concerned with the redevelopment or repair of Biart Place. In addition, in 2018/19, further net budget changes of £1.407m were approved to be taken from balances. The following table shows how the actual expenditure and income compared to the revised budget:

	Revised Budget £000s	Actual £000s	Variance £000s
Expenditure	11,697	12,144	447
Income	(17,459)	(17,089)	370
Net cost of HRA Services	(5,762)	(4,945)	817
Corporate items	7,169	6,352	(817)
Surplus (-) / Deficit for year	1,407	1,407	-

In overall terms HRA revenue balances reduced to a total of £5.085m at 31 March 2019.

The variance on expenditure mainly relates to costs associated with security and fire safety measures (24/7 floor walking, regular inspections of void properties) at the Biart Place and Rounds Gardens sites to minimise the potential of a shock event. The variance on income mainly relates to the loss of rent at Biart Place where the decant of tenants was accomplished ahead of schedule. During the year Council approved the diversion of resources originally set aside for the repayment of debt (£5.839m) to Revenue Contributions to Capital Expenditure to bolster Capital Investment Balances ahead of the commencement of works at Biart Place.

The HRA also held £15.854m in Capital Investment Balances, £1.020m in the Housing Repairs Account and £0.160m in the Sheltered Accommodation earmarked reserve at 31 March 2019, in addition to £2.544m in the Major Repairs Reserve.

## Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £9.700m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget £000s	Actual £000s	Variance £000s
Corporate Resources	884	645	(239)
Growth & Investment	-	3	3
Environment & Public Realm	3,700	829	(2,871)
Communities & Homes	20,593	8,223	(12,370)
	25,177	9,700	(15,477)

In total, £5.097m of the reported underspend relates to budgets approved for the decant, design and survey fees for the redevelopment of the Biart Place and Rounds Gardens sites. A further £5.383m relates to HRA property developments which are planned for completion in 2019/20. Some of the main reasons for the remaining budget underspend of £4.997m were:

- Deferred purchases of vehicles pending asset life review (£2.009m)
- Review of HRA Energy Efficiency measures installed under Phase 1 at Long Lawford prior to implementation of phase 2 (£0.900m)
- Delay in procurement: Carbon management plan – Solar PV installation at Rugby Art Gallery and Museum and Queen’s Diamond Jubilee Leisure Centre (£0.620m)
- Completion of full surveys ahead of commencement of the renovation works at Great Central Walk Bridges (£0.694m)

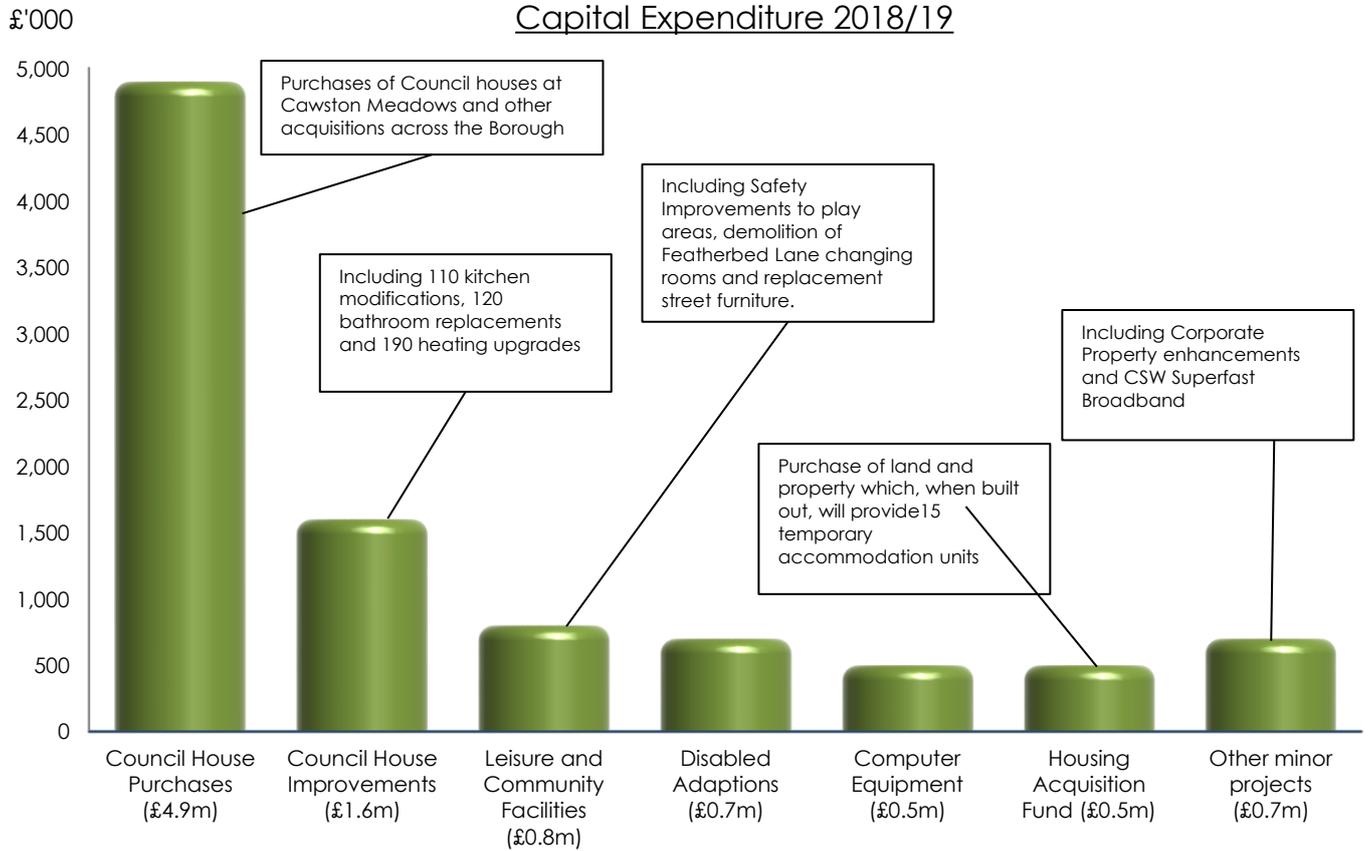
Almost all of the net £15.477m underspend has been requested to be carried forward in to 2019/20.

The graphs on the following page show how the money was spent and how it was financed.

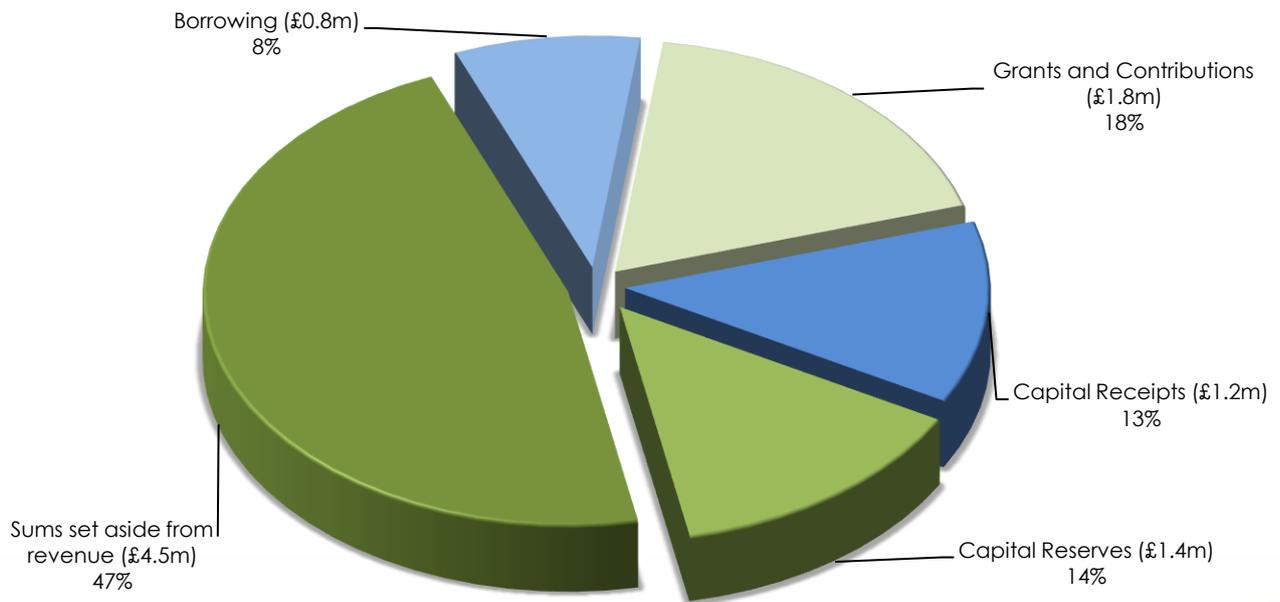
### Capital Receipts and Capital Grants

At 31 March 2019, the Council also held £8.900m of capital receipts (HRA: £6.600m General Fund: £2.300m) and £3.700m capital grants and contributions that had not yet been applied for financing expenditure. In 2018/19, £1.924m of receipts were raised from the sale of 20 HRA properties under Right-to-Buy. Further information on capital financing can be found in Note 21.

### Capital Expenditure 2018/19



### Capital Financing 2018/19





### **Pension Fund**

The Accounts show that the Pension Fund now has a deficit of £50.692m, this is an increase in the deficit by £10.046m since last year. This is due to the sensitivity of key assumptions used by the actuary to measure the scheme liabilities. Any changes in market conditions at the reporting date can have a significant effect on the value of the liabilities.

Statutory arrangements for funding the deficit mean that our financial position in respect to pensions remains healthy. The deficit on the Local Government Pension Scheme will be made good over 18 years by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### **Current Borrowing and Capital Resources**

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2018/19, earlier years, and for future years. The total currently stands at £94.057m (both short and long-term borrowing) as shown on the balance sheet.

## 8. Future Financial Outlook and Financial Resilience

### The 2019/20 budget

The 2019/20 General Fund revenue budget was approved in February 2019 and totalled £16.740m.

The Council successfully delivered a balanced budget which included difficult key decisions to close the initial budget gap reported in February 2018 as £1.400m for 2019/20. The budget goes some way to prepare for the anticipated radical changes to Government funding in 2020/21 and includes both the impact of increased income from business rates and council tax.

The section below sets out the significant income and expenditure items included in the 2019/20 budget:

- (£0.050m) saving from voluntary redundancies and recognising continued efficiencies from digitalisation.
- (£0.066m) saving from decision to change the Council tax policy to remove discounts applied to empty homes and second homes within the borough generating further Council tax income.
- £12.900m key decision to introduce a Housing Acquisition Fund to allow the Council to acquire or build housing asset for temporary accommodation which will reduce the financial pressure for homelessness by an estimated £0.218m in 2019/20 and continue across the medium term to provide a total of £0.515m.
- (£0.210m) saving due to other additional key policy decisions including (£0.125m) from non-kerbside waste and recycling collection.
- £0.150m to enhance the Town Centre, to be met from the additional business rate income the Council is budgeting to receive in 2019/20 from the Elliott's Field Retail Park (Phase 1) and Junction 1 Retail Park
- £0.199m set aside for revenue contributions for Capital Outlay (RCCO)
- £1.411m transferred into the business rates equalisation reserve to help mitigate the anticipated reduction in funding from business rates reset and fair funding in future years.

In addition, we continue to see strong growth in retained business rates income and it has been estimated that £6.269m will be retained in 2019/20, which represents an extra £0.810m compared to our budget for 2018/19.

For New Homes Bonus there is no change to the existing thresholds set at 0.4% of growth, which for Rugby means that the Council does not receive NHB funding for the first 150 homes delivered each year. Funding from this scheme is £2.140m in 2019/20, an increase of £0.040m compared to 2018/19.

After taking all the previous adjustments in to account, in addition to other corporate adjustments, the 2019/20 budget was balanced with Council approving a 2.99% increase in the Band D equivalent council tax, which was less than the maximum 3% permitted.

However, despite successfully producing a balanced budget for 2019/20, the medium term financial plan identifies budget shortfalls over the forthcoming years in anticipation of financial reform by central Government in 2020.

The following sections set out some more context on the future financial landscape, the potential scale of challenges we face and our strategy to address this.

## Medium Term Financial Plan

The 2019-23 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 26 February 2019 is illustrated in the table below

MTFP 2019/20 - 2022/23	2019/20 £000s	Full Reset		
		2020/21 £000s	2021/22 £000s	2022/23 £000s
Base Budget	14,838	16,700	15,100	15,685
Total Growth	1,533	540	550	559
Total Savings	(906)	(455)	(345)	108
Total Changes in Corporate items	1,276	(1,520)	1,019	1,042
<b>Budget Deficit</b>	<b>-</b>	<b>(165)</b>	<b>(639)</b>	<b>(188)</b>
Total Net Expenditure	16,740	15,100	15,685	17,206
<b>Financed By</b>				
<b>Grants</b>				
Other Government Grants	(321)	(257)	(231)	(208)
New Homes Bonus	(2,141)	(2,426)	(3,264)	(4,287)
<b>Business Rates</b>				
Total Business Rates including Collection Fund Adj.	(6,270)	(2,918)	(3,347)	(3,420)
Total Damping - Transitional Funding	-	(1,069)	-	-
<b>Council Tax</b>				
Total Council Tax including Collection Fund Adj.	(8,008)	(8,430)	(8,844)	(9,291)
<b>TOTAL</b>	<b>(16,740)</b>	<b>(15,100)</b>	<b>(15,685)</b>	<b>(17,206)</b>

This showed a balanced budget for 2019/20, but an estimated deficit of £0.165m in 2020/21 assuming that there will be a Government commitment to provide transitional funding of £1.069m, which if not given will increase the deficit to £1.234m.

In addition, there is an assumption that the 100% baseline reset will be re-evaluated on 2018/19 information and that proposed growth for both 2019/20 and 2020/21 will be retained, alongside the impact of no change to the NHB grant or Settlement Funding Assessment.

In particular the plan assumes a total of £1.900m from additional business rates growth for 2018/19 and 2019/20 will be excluded from the net budget requirement and transferred to the Business Rates Equalisation Reserve. This will taper the net budget reductions caused by the reset and go some way to help prevent a cliff-edge drop in the net budget at 2020/21.

Therefore, the net income budget for business rates, after allowing for reserve contributions, is budgeted as follows:

- 2019/20 – equivalent to 2020/21 income levels with 50% growth retention
- 2020/21 – equivalent to 2020/21 income levels with 0% growth retention (100% baseline reset)

For 2019/20 a sustainable budget position has been assessed equivalent to the income we will receive in 2020/21.

### **Addressing the budget gaps**

Whilst we cannot predict the outcome of both the fair funding and business rates baseline review, we are preparing for a significant reduction in business rates funding moving forward. The Medium Term Plan for both 2017/18 and 2018/19 has enabled officers and members to be fully informed of future risks to funding with Officers formulating budgetary plans to address all potential scenarios.

In addition, the MTFS sets out a suite of financial policies to provide a framework that will guide our financial planning and decision making throughout the life of the strategy.

### **Reserves Balances and Future Strategy**

The Council's reserves strategy is predicated on ensuring that financial resources are available for the Rugby of today, in addition to the Rugby of tomorrow. The Council's Medium Term Financial Plan is based on the level of funding assumptions as shown in section 6 on page 25 and as can be seen the projections follow more closely a positive than a negative outcome scenario. It has been critical to manage the impact for as long as possible of the financial uncertainty to minimise impact on service delivery and ultimately our residents.

It would not be prudent, however, to be unprepared for a negative outcome scenario at a time of such uncertainty as detailed earlier in this document, alongside an expected Comprehensive Spending Review in the next 12-18 months where it is anticipated that there will be cuts to areas outside of the NHS, defence and overseas aid.

Furthermore because Rugby is growing at such a pace, it is inevitable that at some point in the future, our services are likely to see a stepped change in cost when the current management and overheads are no longer able to stretch to meet demand.

It is right that we keep our reserves under scrutiny to ensure that we are neither building up too much or too little reserves and that the strategy and risk assessment are in line.

It is generally accepted that Local Authorities' general fund balances should be between 3 and 5% of their net budget requirement in order to allow for unexpected, urgent or critical events which could not be funded any other way. We have adopted a risk-based approach to assessing whether this target is appropriate for our circumstances and have refreshed this during the preparation of the accounts.

Our plans show that over the medium term we are achieving levels of reserves and a general fund balance which meet the risks we have identified in the financial planning environment. The contributions which we have made to reserves in the past, and in the next two financial years, will allow us to establish a level of reserves which allow us to:

- continue to ensure that discretionary services we charge for do not make a profit over time
- recognise the risks of service needs increasing in response to demographic growth or wider economic pressures
- recognise the potential loss of funding from forthcoming changes
- allow for emergency situations and legal challenges which the Council may face

We will continue to look at opportunities to use the budget stability reserve to invest in new ways of working to deliver ongoing value for money. In addition, by holding cash the Council will benefit in terms of reduced running costs by being able to:

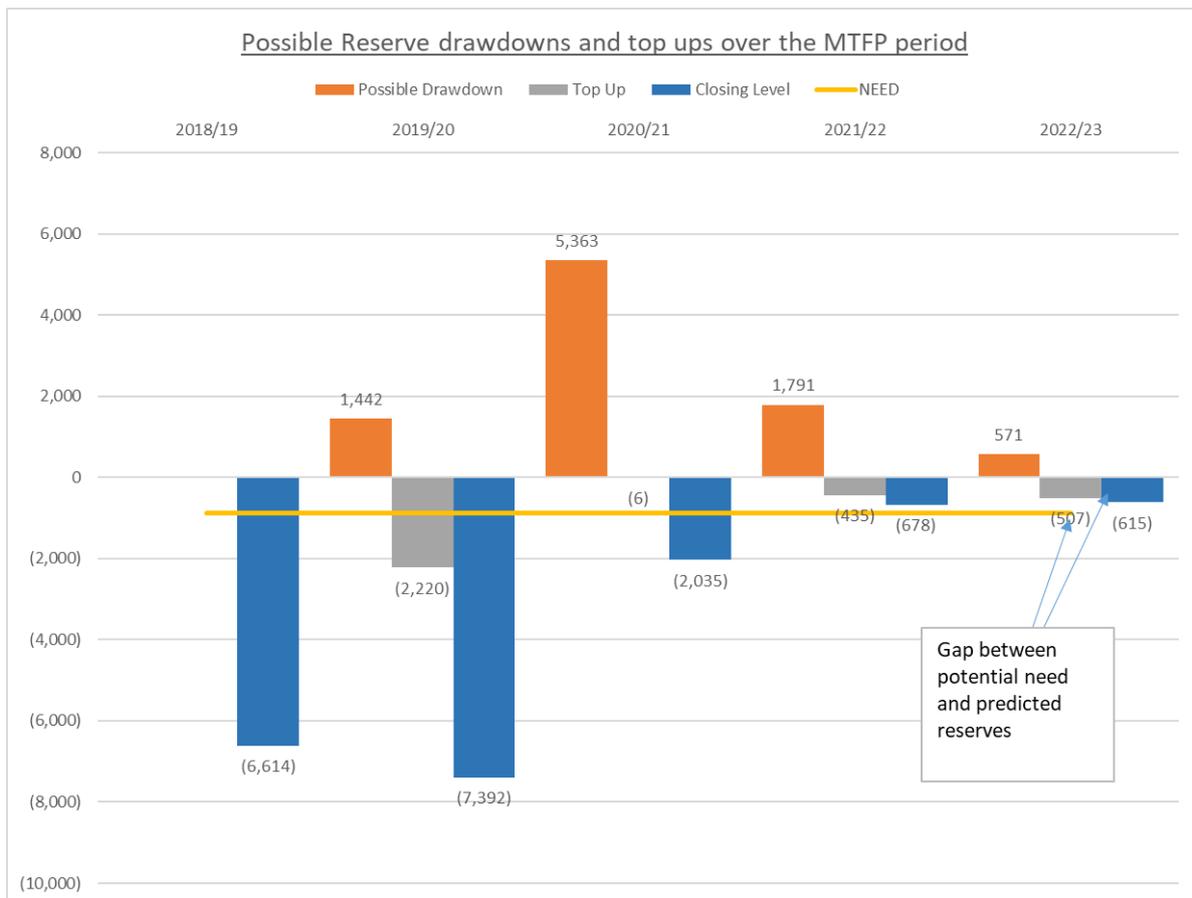
- avoid borrowing costs
- invest monies held and gain a return
- meet costs itself which would otherwise need to be insured against
- meet ongoing liabilities earlier thus reducing payments over time
- invest in energy efficiency schemes

We therefore propose that after the in-year movements on reserves in order to ensure that each reserve and the general fund are at a level commensurate with need to transfer:

- £1.197m out of the General Fund
- £0.415m out of the Business Rates Equalisation Reserve
- £1.383m into the Budget Stability Reserve
- £0.230m into the Welfare Support Reserve

### Total General Fund Earmarked Reserves

At 31 March 2019 the Council had total earmarked General Fund reserves of £7.943m, an increase of £2.571m.



### Budget Stability Reserve

A net £0.224m has been added to the reserve in 2018/19 before the further increase from General Fund. Of this movement, £0.100m of the reserve was used to support spend as per the original budget, £0.073m was transferred into this reserve from a service subject to one-off costs from loss of contract, and £0.251m has been transferred in from prior year unconditional revenue grants which are not expected to be used in the medium term. £1.382m has been transferred in from General Fund and other earmarked balances to match the risk assessment. There are plans to top up this reserve further in 2019/20 and then start to drawdown in 2020/21.

### Business Rates Equalisation Reserve

This reserve was established in 2013/14 in order to mitigate fluctuations in the business rates base and resultant income. In 2018/19 we budgeted to make a contribution of £0.553m to this reserve and were able to top this up further at year end by £0.256m. £0.415m has then been transferred out to other reserves to match the risk assessment. The previous section on Reserves balances and future strategy explains this movement and its proposed use in future years.

### Carry Forward Reserve

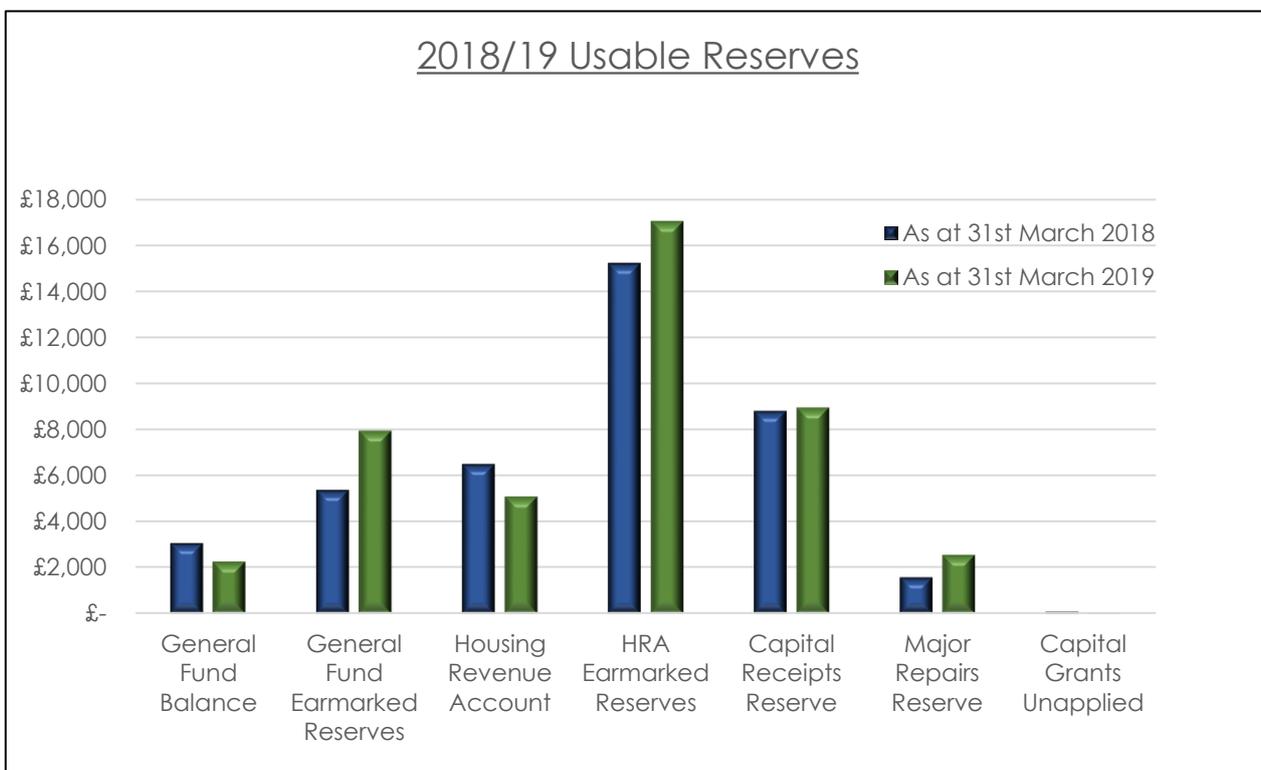
This was introduced in 2017/18, to hold the balances of underspent General Fund revenue budgets that will be requested for approval from Members to be carried forward into the new financial year. This allows the earmarking of these funds to be spent in the forthcoming financial year and aids the smoothing of volatility in General Fund balances. In 2018/19, £0.125m has been added to this reserve and the amount brought forward and used in 2018/19 from 2017/18 was £0.354m.

The balance sheet has been reviewed and in particular the classification of creditors, trusts and grants. This has resulted in a net £0.098m being moved into earmarked reserves from other areas of the balance sheet.

Note 13 details all movements in these earmarked reserves for 2018/19.

New reserves established this year, subject to approval by Cabinet and Full Council, are:

- Welfare Support Reserve (£0.500m) and IT Welfare Support Reserve (£0.100m) have been established to provide stability to funding for Homelessness and investment in IT to improve service delivery in this area
- Waste Reserve (£0.048m) has been established to smooth service costs between financial years
- A reserve to deal with increased costs in terms of licensing Homes of Multiple Occupation (HMO) of (£0.044m)
- A reserve for Land Drainage of (£0.016m) to mitigate against any future flood risks



## Housing Revenue Account – Biart Place and Rounds Gardens

During 2018/19 the Council considered a number of reports concerning the need to repair or regenerate our two high-rise sites in the borough

- Biart Place (comprising two blocks with a total of 124 flats)
- Rounds Gardens (comprising three blocks with a total of 189 flats).

Surveys had identified a potential risk to the structure of the buildings in a shock event (fire or explosion), as well as potential issues of fire resistance between individual flats. Weighing up the costs of refurbishment versus the cost of new development Council agreed to the decant of the blocks and to begin design preparations for new schemes. All tenants at Biart Place were successfully rehoused by 31 December 2018. A programme of rehousing the tenants at Rounds Gardens has commenced with a timeline to be completed by March 2022.

In respect of Biart Place, the total estimated cost of a new development scheme is in the region of £25.000m, which includes costs over and above construction, for example decant and design costs. For Rounds Gardens the estimated cost of a new development to replace the existing 221 high-rise and low-level homes is £28.000m.

A capital programme of this scale will place pressure on the HRA's financial resources. At the end of 2018/19 £15.000m is available in HRA Capital Investment Balances, of which £5.000m is already allocated to the decant and design phases of the redevelopment schemes.

Assuming a staggered phasing of the build over a couple of years and that the scheme is financed using a mix of borrowing and contributions from Capital Investment Balances, it is estimated that the HRA Capital Financing Requirement (CFR - or underlying need to borrow) will rise to c.£110m in 2022/23. This total includes other acquisition or new build schemes previously approved by Council.

Nonetheless the redevelopment schemes significantly constrain our ability to acquire further new homes to increase our housing stock to alleviate pressure from the housing waiting list and homelessness issues addressed earlier. Resources available for legislative changes arising from the review of Decent Homes standards consulted upon in the Housing Green Paper 2018 are also at risk.

Once the costing estimates for the new development schemes have been advanced and refined it will be necessary for consideration to be given to a detailed financing strategy for each scheme, alongside further anticipated demands on HRA financial resources. It should be noted that work is in progress in respect of seeking financial support from Government. However, the magnitude and likelihood of any support is uncertain.

### Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been presented for 2019/20. However, due to the current challenging financial environment it is highly probable that further savings still need to be identified in order to deliver a balanced budget across the medium term. In particular, the high level of uncertainty around retained business rates and the potential for a reset of the system presents a considerable risk to our finances from 2020/21 onwards.

For the HRA, the regeneration of both Biart Place and Rounds Gardens sites will fundamentally impact on the scale of the resources available across the medium to long term.

## 10. Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2019. It is comprised of core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

### The Primary Financial Statements

The **Comprehensive Income and Expenditure Statement (CIES)** records all of our income and expenditure for the year, in accordance with generally accepted accounting practices (GAAP). The top half of the statement provides an analysis by portfolio, in-line with our organisational structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- services and activities that we are required to carry out by law (statutory duties) such as street cleaning and planning; and,
- discretionary expenditure focussed on local priorities and needs, such as leisure and culture.

A **Movement in Reserves Statement** is a summary of the changes to our reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** statement is a "snapshot" of our assets, liabilities, cash balances and reserves at the year-end date.

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

### Notes to support the primary statements

#### The Expenditure and Funding Analysis (EFA)

The note shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by councils in accordance with GAAP. It also shows how this expenditure is allocated for decision making purposes between our portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

This note is positioned ahead of the primary financial statements, to help explain the transition between those amounts presented within the Narrative Statement for the purpose of reporting to members and management and those amounts contained within the primary financial statements that have been prepared in accordance with GAAP.



### **Additional Notes**

The other notes are presented after the core statements and provide more detail about the Council's accounting policies and individual transactions.

### **Supplementary Statements**

**The Housing Revenue Account (HRA)** reflects the statutory obligation to maintain a revenue account for local authority housing provision. It includes the debit and credit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The HRA is incorporated into the Comprehensive Income and Expenditure Statement

**The Collection Fund Statement** includes transactions relating to council tax and business rates income. 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.

### **The Annual Governance Statement**

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

## **11. Further Information**

If you would like to receive further information about the Accounts, please contact the Financial Services Team.

Email: [contactcentre@rugby.gov.uk](mailto:contactcentre@rugby.gov.uk)

Telephone: (01788) 533533

Address: Town Hall, Evreux Way, Rugby, CV21 2RR.



## STATEMENT OF RESPONSIBILITIES

### Statement of Responsibilities for the Statement of Accounts

#### The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility of those affairs. In Rugby Borough Council, this is the Head of Corporate Resources and 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 Head of Corporate Resources and Chief Financial Officer's Responsibilities

The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Corporate Resources and Chief Financial Officer has:

- 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.

#### Head of Corporate Resources and Chief Financial Officer's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2019 and its expenditure and income for the year then ended.

**Mannie Ketley**  
**Head of Corporate Resources and Chief Financial Officer**

Date 30 July 2019

#### Approval of Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit and Ethics Committee.

**Paul Dudfield**  
**Chairman of the Audit and Ethics Committee**

Date 30 July 2019

## EXPENDITURE AND FUNDING ANALYSIS NOTE

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2018/19				
	Amounts Report to Members and Management	Management Accounting Adjustments	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Growth and Investment	3,429	(1,199)	2,230	1,000	3,230
Environment and Public Realm	6,639	(2,098)	4,541	2,259	6,800
Communities and Homes General Fund	1,783	(358)	1,425	978	2,403
Communities and Homes HRA	(4,944)	(4,383)	(9,327)	7,692	(1,635)
Corporate Resources	1,361	(256)	1,105	187	1,292
Executive Directors Office	1,768	(59)	1,709	98	1,807
Net Cost of Services	10,036	(8,353)	1,683	12,214	13,897
Other Income and Expenditure	(9,229)	5,387	(3,842)	(10,024)	(13,866)
(Surplus) or Deficit	807	(2,966)	(2,159)	2,190	31
Opening General Fund and HRA Balance			(30,157)		
Plus (Surplus) or Less Deficit on General Fund and HRA Balance in Year			(2,159)		
Closing General Fund and HRA Balance at 31 March			(32,316)		

### Amounts Reported to Management

These net figures represent the amounts to be reported to Cabinet in the 2018/19 Finance and Performance year-end report on 24 June 2019. The surplus of £2.158m represents the following overall changes:

	Opening Balance at 31 March 2018 £0002	Management Outturn £000s	Transfers to and from reserves £000s	(Surplus) or Deficit £000s	Closing Balance at 31 March 2019 £000s
General Fund	(3,069)	(382)	1,198	816	(2,253)
Other General Fund Earmarked Reserves	(5,372)		(2,570)	(2,570)	(7,942)
Housing Revenue Account	(6,493)	1,407		1,407	(5,086)
Other HRA Earmarked Reserves	(15,223)		(1,811)	(1,811)	(17,034)
<b>TOTAL</b>	<b>(30,157)</b>	<b>1,025</b>	<b>(3,183)</b>	<b>(2,158)</b>	<b>(32,315)</b>

### Management Accounting Adjustments

The total £4.340m of management accounting adjustments are the items which are reported to management but do not impact on the usable reserves. The movements are explained further in Note 10 but they are largely Pensions and Capital adjustments.

### Net Expenditure Chargeable to the General Fund and HRA Balances

This represents the aggregate increase in the General Fund balance and HRA revenue balances plus earmarked reserves. This increase is also presented in the Movements in Reserves Statement.

### Adjustments Between the Funding and Accounting Basis

These accounting adjustments are required to move between accounts produced on a funding basis and those in-line with GAAP. Further details are provided in Note 12.

### Net Expenditure in the Comprehensive Income and Expenditure Statement

This final column aggregates 'Net Expenditure Chargeable to the General Fund and HRA Balances' and 'Adjustments Between the Funding and Accounting Basis'. These amounts are presented in the Comprehensive Income and Expenditure Statement.

2017/18					
	Amounts Report to Members and Management	Management Accounting Adjustments	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure
	£000s	£000s	£000s	£000s	£000s
Growth and Investment	3,303	(1,123)	2,180	1,264	3,444
Environment & Public Realm	6,298	(1,769)	4,529	582	5,111
Communities and Homes – General Fund	1,249	(554)	695	668	1,363
Communities and Homes - HRA	(6,716)	(3,356)	(10,072)	1,961	(8,111)
Corporate Resources	1,481	(314)	1,167	262	1,429
Executive Directors Office	1,828	(39)	1,789	67	1,856
Net Cost of Services	7,444	(7,156)	288	4,804	5,092
Other Income and Expenditure	(13,344)	6,662	(6,682)	(3,485)	(10,167)
Surplus or Deficit	(5,900)	(494)	(6,394)	1,319	(5,075)

Opening General Fund and HRA Balance			(23,763)		
Plus (Surplus) or Less Deficit on General Fund and HRA Balance in Year			(6,394)		
Closing General Fund and HRA Balance at 31 March			(30,157)		

## THE PRIMARY FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement

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

31 March 2018 (restated)				31 March 2019		
Exp £000s	Inc £000s	Net £000s		Exp £000s	Inc £000s	Net £000s
5,975	(2,531)	3,444	Growth and Investment	5,639	(2,409)	3,230
9,947	(4,836)	5,111	Environment and Public Realm	11,912	(5,112)	6,800
3,556	(2,193)	1,363	Communities and Homes - General Fund	19,672	(17,269)	2,403
9,862	(17,973)	(8,111)	Communities and Homes - HRA	15,454	(17,089)	(1,635)
18,645	(17,216)	1,429	Corporate Resources	1,811	(519)	1,292
2,193	(337)	1,856	Executive Directors Office	1,977	(169)	1,808
<b>50,178</b>	<b>(45,086)</b>	<b>5,092</b>	<b>Cost of Services</b>	<b>56,465</b>	<b>(42,567)</b>	<b>13,898</b>
3,086	(99)	2,987	Other Operating Expenditure (Note 14)	1,302	(130)	1,172
3,230	(788)	2,442	Financing and Investment Income and Expenditure (Note 15)	3,304	(1,079)	2,225
	(15,596)	(15,596)	Taxation and Non-specific Grant Income (Note 16)		(17,264)	(17,264)
<b>56,494</b>	<b>(61,569)</b>	<b>(5,075)</b>	<b>Subtotal Income and Expenditure (Note 11)</b>	<b>61,071</b>	<b>(61,040)</b>	<b>31</b>
		<b>(5,075)</b>	<b>Surplus (-) / Deficit on Provision of Services</b>			<b>31</b>
		(5,580)	(Surplus) / Deficit on revaluation of property, plant and equipment assets (Note 22)			(3,202)
		(81)	(Upwards) or Downward valuation of financial instruments (Note 40)			-
		(2,608)	Remeasurement of the net defined benefit liability/ (asset) (note 36)			7,116
		<b>(8,269)</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>3,914</b>
		<b>(13,344)</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>3,945</b>

The figures have been restated following further changes in guidance which require service segments to be stated net of income which is generated by trading services internally.

## Movement in Reserves Statement

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 'unusable reserves'. Usable reserves are those reserves that may be used to provide services subject to 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 (for example the Revaluation Reserve) or Pension Reserves.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following the adjustments. The reasons for the movements are explained in the Narrative statement and in notes 12 and 13.

2018/19	General Fund and Earmarked Reserves £000s	HRA and Earmarked Reserves £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 31 March 2018	(8,441)	(21,716)	(8,803)	(1,579)	(989)	(41,528)	(133,624)	(175,152)
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	875	(844)	-	-	-	31	3,914	3,945
Adjustments between accounting basis and funding basis under regulations	(2,631)	441	(138)	(965)	196	(3,097)	3,097	-
(Increase) or Decrease in 2018/19	(1,756)	(403)	(138)	(965)	196	(3,065)	7,011	3,945
<b>Balance at 31 March 2019 carried forward</b>	<b>(10,197)</b>	<b>(22,119)</b>	<b>(8,941)</b>	<b>(2,544)</b>	<b>(793)</b>	<b>(44,594)</b>	<b>(126,613)</b>	<b>(171,207)</b>

In comparison in the prior year the Movements in Reserves were as follows:

2017/18	General Fund and Earmarked Reserves	HRA and Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2017	(5,639)	(18,124)	(7,922)	(2,463)	(689)	(34,837)	(126,971)	(161,808)
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure	383	(5,458)	-	-	-	(5,075)	(8,269)	(13,344)
Adjustments between accounting basis and funding basis under regulations	(3,185)	1,866	(881)	884	(300)	(1,616)	1,616	-
(Increase) or Decrease in 2017/18	(2,802)	(3,592)	(881)	884	(300)	(6,691)	(6,653)	(13,344)
<b>Balance at 31 March 2018 carried forward</b>	<b>(8,441)</b>	<b>(21,716)</b>	<b>(8,803)</b>	<b>(1,579)</b>	<b>(989)</b>	<b>(41,528)</b>	<b>(133,624)</b>	<b>(175,152)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

31 March 2018 £000s	Balance Sheet	Notes	31 March 2019 £000s
235,866	Property, Plant and Equipment	18	234,967
22,519	Heritage Assets	24	21,934
723	Investment Property	19	723
469	Intangible Assets		391
20,829	Long Term Investments	38	16,977
52	Long Term Advances	26	52
163	Long Term Debtors	27	130
<b>280,621</b>	<b>Long Term Assets</b>		<b>275,174</b>
27,856	Short Term Investments	38	51,970
120	Assets Held for Sale	20	3,107
200	Inventories		196
5,886	Short Term Debtors	27	7,361
17,723	Cash and Cash Equivalents	29 / 38	1,032
<b>51,785</b>	<b>Current Assets</b>		<b>63,666</b>
(38,082)	Short Term Borrowings	38	(29,548)
(9,209)	Short Term Creditors	28	(13,046)
(1,504)	Short Term Provisions	41	(1,303)
<b>(48,795)</b>	<b>Current Liabilities</b>		<b>(43,897)</b>
(2,976)	Long Term Provisions	41	(3,968)
(61,509)	Long Term Borrowing	38	(64,509)
(40,646)	Pension Liability Account	36	(50,692)
(3,328)	Capital / Revenue Grants Receipts in Advance	17	(4,567)
<b>(108,459)</b>	<b>Long Term Liabilities</b>		<b>(123,736)</b>
175,152	Net Assets		171,207
(41,528)	Usable reserves	MiRS	(44,594)
(133,624)	Unusable reserves	MiRS	(126,613)
(175,152)	Total Reserves		(171,207)

Signed	Mannie Ketley	Date	30 July 2019
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## Cash Flow Statement

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

31 March 2018 £000s		Notes	31 March 2019 £000s
5,075	Net surplus or (deficit) on the provision of services		(31)
10,528	Adjustment to surplus or deficit on the provision of services for noncash movements		14,563
7,647	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities		330
23,250	Net Cash flows from Operating Activities	30	14,862
(17,446)	Net Cash flows from Investing Activities	31	(28,314)
(467)	Net Cash flows from Financing Activities	32	(3,239)
5,337	Net increase or (decrease) in cash and cash equivalents		(16,690)
12,386	Cash and cash equivalents at the beginning of the period	29	17,723
17,723	Cash and cash equivalents at the end of the reporting period	29	1,033

There are two methods of preparing the Cash Flow Statement, with the Code having different disclosure requirements depending on which is used:

- the direct method – the statement is prepared using cash records as source documents
- the indirect method – the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

The Council has adopted the indirect method which is required for Whole of Government Accounts purposes and therefore it is recommended that authorities use this approach to avoid having to prepare the statement twice.

## NOTES TO THE ACCOUNTING STATEMENTS

### Note 1. Basis for Preparation

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the income and expenditure statement and the balance sheet where appropriate. The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not a separate principal accounting policies note. However, Note 2 details general accounting policies where there are not any accompanying notes.

Details of the order of the notes can be found in the index.

### Note 2. General Accounting Policies (where there is no accompanying note)

#### General

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare annual Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

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

#### Accruals of Income and Expenditure

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received.

Where material income and expenditure amounts 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).

This concept is not applied to electricity and gas supplies and other 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.

#### Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. 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.

### **Joint Operations**

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

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

The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:

- Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
- The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and also debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 35 Related Party Transactions.

### **Overheads and Support Services**

The cost of overheads and support services are charged to the Council's Portfolios in accordance with the Council's arrangements for accountability and financial performance.

### **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.

### Value Added Tax (VAT)

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

### Note 3. Accounting Standards that have been Issued but have not yet been Adopted

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

At the balance sheet date, the following new standards and amendments to existing standards have been published, but not yet adopted by the Code:

#### IFRS 16 - Leases

The adoption of IFRS 16 Leases will occur from 1 April 2019. The standard removes the distinction between operating and finance leases for lessee accounting.

Aside from those with a term of less than 12 months, and those for items of low value, all leases will be accounted for by recognising an asset for the right to use the relevant property, plant or equipment and a liability to pay for that right.

Early signs are that the changes do not have a great potential to have an impact on the general fund balance, as the default financing treatment for both operating and finance leases is currently to charge rentals to revenue in the year that they become due.

This is the recommended approach in the Government's statutory guidance applicable for IFRS 16.

However, there should be a greater focus on value for money as more leases will need to have their rentals disaggregated to show the cost of the property rights acquired and the interest rate implicit in the arrangement.

Even though there are transitional concessions, some work will be needed to update the leases register and to calculate newly recognised lease assets and liabilities.

#### Other Changes

The following accounting standards have minor changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

- IAS40 Amendments – Investment Property: Transfers of Investment Property
- IFRIC22 Foreign Currency Transactions and Advance Consideration
- IFRIC23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation

### Note 4. Critical Judgements in Applying Accounting Policies

There is a high degree of uncertainty about future funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The uncertainty about whether or not the UK is set to leave the EU may resolve during the accounts preparation period, which, had it been known at 31 March, may have caused assets to be valued differently for the pension fund and also for our own investments. The sensitivity analysis in Note 36 shows the impact that any significant change in valuation would have on the assets and liabilities.

## Note 5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision for Business Rate Appeals	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	Following a comprehensive assessment of the outstanding business rates appeals at 31 March 2018, a total provision of £13m was made for potential future appeal refunds. Rugby Borough Council's 40% share of this provision is £5.2m. The effect of a change in the provision is as follows:  25% higher/lower: £1.3m 50% higher/lower: £2.6m
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 expected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. Warwickshire County Council utilise consulting actuaries to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effect on the pension net liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension liability of £15.957m. However, the assumptions interact in complex ways and actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term.  A sensitivity analysis upon other variables affecting the net liability is set out in Note 36 Pension Costs.

As per our accounting policy, other estimation techniques are used for the purposes of producing the Accounts.

## Note 6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. This has been done for the CIES and Note 11 in respect of amending the gross expenditure and income to adjust out internal income.

There is one adjustment to opening balances for 2018/19 in respect of a property which had been omitted from the asset register. It has been revalued and reinstated but the adjustment is non material.

## Note 7. Officers Remuneration

### 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.

The remuneration of the Council's senior employees is as follows:

Post Holder		Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total	Notes
		£	£	£	£	£	
Executive Director	2018/19	97,350	1,490	-	18,690	117,530	
	2017/18	92,920	1,020	-	17,840	111,780	
Head of Communities & Homes	2018/19	70,570	-	-	13,550	84,120	
	2017/18	67,920	-	-	13,040	80,960	
Head of Corporate Resources	2018/19	70,570	-	-	13,550	84,120	
	2017/18	67,920	-	-	13,040	80,960	
Head of Environment & Public Realm	2018/19	69,920	-	-	13,420	83,340	
	2017/18	16,490	-	-	3,170	19,660	
Head of Growth & Investment (A)	2018/19	24,060	-	-	4,330	28,390	1
	2017/18	67,920	-	-	13,040	80,960	
Head of Growth & Investment (B)	2018/19	32,710	-	-	6,280	38,990	2
	2017/18	-	-	-	-	-	

Senior Officers served for the whole of 2018/19 and 2017/18 unless as stated:

1. The Head of Growth & Investment (A) left the Council on the 26 July 2018.
2. The Head of Growth & Investment (B) was appointed to the post on the 1 October 2018.

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

Remuneration Band	2017/18 Number of employees	2018/19 Number of employees
£50,000 - £54,999	1	-
£55,000 - £59,999	-	1
£60,000 - £64,999	-	-
£65,000 - £69,999	1	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-

The officer presented in the banding £80,000 and £84,999 included compensation payments for the loss of office. This redundancy payment will result in long term savings for the Council.

#### Termination Benefits

Termination benefits are amounts payable because 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. These are charged on an accruals basis to the relevant service line in the Comprehensive Income and 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.

Rugby Borough Council terminated the contracts of 6 employees in 2018/19, incurring liabilities of £102,280 (£177,260 in 2017/18). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table following:

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of agreed other departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 (£)	2018/19 (£)
£0 - £20,000	-	-	7	4	7	4	61,680	30,900
£20,001 - £40,000	-	-	2	1	2	1	64,390	27,510
£40,001 - £60,000	-	1	1	-	1	1	51,190	43,870
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	1	10	5	10	6	177,260	102,280

## Note 8. Members Allowances

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

2017/18 £		2018/19 £
337,920	Allowances	345,100
5,660	Employers' National Insurance	5,620
11,100	Expenses	12,190
354,680	Total	362,910

## Note 9. Deposits in Icelandic Banks

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

Bank	Investment Start Date	Planned Maturity Date	Original Investment £000s	Outstanding Amount £000s
Glitnir Bank	27/11/2006	27/11/2008	2,000	-
Landsbanki Islands HF	13/08/2007	13/07/2009	1,000	-

### Glitnir Bank

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.

However, an element of the distribution (£446,000) was made in Icelandic Kroner that had been placed in an escrow account Iceland. In June 2017 the Council accepted the Central Bank of Iceland's offer to purchase its assets that were held in Icelandic Kroner. The Council received £610,000, representing a gain of £81,000 against the carrying value of £529,000 at balance sheet date. This is explained further in Note 40 and shown on the face of the CIES in 2017/18 against the (upwards) or downward valuation of financial instruments.

This concludes all matters pertaining to the administration process of the former Icelandic bank, Glitnir hf.

### Landsbanki

During 2013/14 the Council, in conjunction with other local authority creditors arranged for the sale of its outstanding claim with the Landsbanki Winding Up Board (WUB).

The Landsbanki administration process was completed in 2013/14.

## Note 10. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000s	£000s	£000s	£000s
Growth and Investment	751	249	-	1,000
Environment and Public Realm	1,599	659	-	2,258
Communities and Homes General Fund	623	355	-	978
Communities and Homes HRA	7,384	307		7,692
Corporate Resources	51	138	(2)	187
Executive Directors Office		100	(2)	98
<b>Net Cost of Services</b>	<b>10,408</b>	<b>1,809</b>	<b>(3)</b>	<b>12,213</b>
Other income and expenditure from the Expenditure and Funding Analysis	(10,414)	1,121	(731)	(10,024)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(6)</b>	<b>2,930</b>	<b>(734)</b>	<b>2,189</b>

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000s	£000s	£000s	£000s
Growth and Investment	1,001	263	-	1,264
Environment and Public Realm	(135)	717	-	582
Communities and Homes General Fund	291	377	-	668
Communities and Homes HRA	1,607	354	-	1,961
Corporate Resources	29	233	-	262
Executive Directors Office	1	66	-	67
Rugby World Cup	-	-	-	-
<b>Net Cost of Services</b>	<b>2,794</b>	<b>2,010</b>	<b>-</b>	<b>4,804</b>
Other income and expenditure from the Expenditure and Funding Analysis	(5,674)	1,070	1,118	(3,486)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,880)</b>	<b>3,080</b>	<b>1,118</b>	<b>(1,318)</b>

### 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing (i.e. Minimum Revenue Provision and other revenue contributions) are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### 2) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** - represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past services costs.
- **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### 3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For services** - an adjustment is made for the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- **Financing and investment income and expenditure** - adjustments are made for the movement in the fair value of the Council's investment properties.
- **Taxation and non-specific grant income and expenditure** - represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in the Surpluses or Deficits on the Collection Fund.

## Note 11. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	2017/18 (published) £000	2017/18 (restated) £000	2018/19 £000
<b>Expenditure</b>			
Employee benefits expenses	18,539	18,539	18,779
Other service expenses	33,605	28,230	27,920
Depreciation, amortisation, impairment	3,421	3,421	9,770
Interest payments	2,245	2,245	2,183
Net interest on the net defined benefit liability	1,069	1,071	1,121
Precepts and levies	731	731	761
Payments to housing capital receipts pool	837	837	493
Loss on the disposal of assets	1,419	1,419	45
<b>Total expenditure</b>	<b>61,866</b>	<b>56,494</b>	<b>61,071</b>
<b>Income</b>			
Fees, charges and other service income	(16,632)	(11,258)	(11,082)
HRA dwelling rents	(16,220)	(16,220)	(15,540)
Interest and investment income	(873)	(873)	(1,079)
Income from council tax, non-domestic rates	(10,513)	(10,513)	(12,260)
Government grants and contributions	(22,704)	(22,704)	(20,954)
Gain on disposal of assets			(126)
<b>Total income</b>	<b>(66,942)</b>	<b>(61,569)</b>	<b>(61,040)</b>
(Surplus) or Deficit on the Provision of Services	(5,076)	(5,075)	31

The figures have been restated following further changes in guidance which require service segments to be stated net of income which is generated by trading services internally.

The key movements between years can be explained as follows:

- Depreciation, amortisation, impairment – the movement is mainly due to the £3.507m impairment of Rounds Gardens compared to a lower than normal charge in 2017/18 due to revaluation gains.
- HRA Dwelling rents have been lower due to continuing statutory requirement to reduce rents by 1% annually during the period 2016/17 to 2019/20 and the decant from some of the housing stock in order to undertake important fire safety works

## **Note 12. Adjustments between Accounting Basis and Funding Basis Under Regulations**

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

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resource that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial years. The balance however, is not available to be applied to funding HRA activities.

### **Housing Revenue Account**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or where in deficit is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2018/19	Usable Reserves				
	General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Amounts involving the Capital Adjustment Account</b>					
Depreciation of non-current assets	(2,412)	(3,076)	-	-	-
Revaluation movements and impairments on non-current assets, charged to the CIES	(184)	(2,625)	-	-	-
Amortisation of intangible assets	(149)	(57)	-	-	-
Capital grants and contributions applied	1,697	180	-	-	-
Revenue expenditure funded from capital under statute	(1,268)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(211)	(1,807)	-	-	-
<b>Insertion of items not debited or credited to the CIES</b>					
Statutory provision for the financing of capital investment	1,704	-	-	-	-
Capital expenditure charged against revenue balances	170	4,149	-	-	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>					
Interest credited to Section 106s	4	-	-	-	(4)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	200
<b>Adjustments involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain or (loss) on disposal / unattached receipts to the CIES	167	1,933	(2,100)	-	-
Use of the reserve to finance new capital expenditure	-	-	1,469	-	-
Contribution from the reserve to finance payments to the Government capital receipts pool	(493)	-	493	-	-
<b>Adjustments involving the Major Repairs Reserve</b>					
Interest credited to reserve	23	-	-	(23)	-
Reversal of Major Repairs Allowance credited to the HRA	-	2,287	-	(2,287)	-
Use of the reserve to finance new capital expenditure	-	-	-	1,346	-
<b>Adjustments involving the Pension Reserve</b>					
Reversal of items relating to retirement benefits	(4,571)	(961)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,186	416	-	-	-
<b>Adjustments primarily involving the Collection Fund Adjustments Account</b>					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	591	-	-	-	-
<b>Adjustment primarily involving Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CIES is different from that chargeable in the year in accordance with statutory requirements	1	1	-	-	-
<b>Adjustment primarily involving the Financial Instruments Reserve</b>					
Reversal of items relating to financial instruments revaluation	114	-	-	-	-
<b>Total Adjustments</b>	<b>(2,631)</b>	<b>441</b>	<b>(138)</b>	<b>(965)</b>	<b>196</b>

2017/18	Usable Reserves				
	General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s
<b>Amounts involving the Capital Adjustment Account</b>					
Depreciation of non-current assets	(2,453)	(2,868)	-	-	-
Revaluation movements and impairments on non-current assets, charged to the CIES	1,395	1,318	-	-	-
Movements to the fair value of investment properties	28	-	-	-	-
Amortisation of intangible assets	(94)	(57)	-	-	-
Capital grants and contributions applied	707	-	-	-	-
Revenue expenditure funded from capital under statute	(661)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(24)	(3,648)	-	-	-
<b>Insertion of items not debited or credited to the CIES</b>					
Statutory provision for the financing of capital investment	1,737	-	-	-	-
Capital expenditure charged against revenue balances	299	1,662	-	-	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>					
Interest credited to Section 106s	1	-	-	-	(1)
Capital grant and contributions unapplied to the CIES	362	-	-	-	(362)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	63
<b>Adjustments involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain or (loss) on disposal / unattached receipts to the CIES	47	2,205	(3,253)	-	-
Use of the reserve to finance new capital expenditure	-	-	535	-	-
Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	-	-	1,000	-	-
Contribution from the reserve to finance payments to the Government capital receipts pool	(837)	-	837	-	-
<b>Adjustments involving the Major Repairs Reserve</b>					
Interest credited to Major Repairs Reserve	18	-	-	(18)	-
Reversal of Major Repairs Allowance credited to the HRA	-	3,790	-	(3,790)	-
Use of the reserve to finance new capital expenditure	-	-	-	4,692	-
<b>Adjustments involving the Pension Reserve</b>					
Reversal of items relating to retirement benefits	(4,633)	(923)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,090	386	-	-	-
<b>Adjustments primarily involving the Collection Fund Adjustments Account</b>					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	(1,167)	-	-	-	-
<b>Adjustment primarily involving Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CIES is different from statutory requirements	(2)	-	-	-	-
<b>Total Adjustments</b>	<b>(3,185)</b>	<b>1,866</b>	<b>(881)</b>	<b>884</b>	<b>(300)</b>

### Note 13. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

	31 March 2018 £000s	Transfers Out £000s	Transfers In £000s	Transfers within £000s	31 March 2019 £000s
Budget Stability Reserve	(539)	100	(1,455)	(251)	(2,145)
Business Rates Equalisation Reserve	(1,285)	415	(846)	-	(1,716)
Section 106 (Developer) Contributions - Revenue	(1,289)	157	(21)	-	(1,153)
Revenue Grants and Contributions from Third Parties	(872)	137	(184)	334	(585)
Welfare Support Reserve	-	11	(294)	(217)	(500)
Town Centre Improvement Fund	-	-	(325)	-	(325)
Works Services Unit Operational Reserve	(127)	-	(193)	-	(320)
Hall of Fame Licence Reserve	(300)	-	-	-	(300)
Carryforward Reserve	(354)	354	(125)	-	(125)
Other smaller reserves e.g. plant & equipment reserves	(606)	228	(530)	134	(774)
<b>Total General Fund Earmarked Reserves</b>	<b>(5,372)</b>	<b>1,402</b>	<b>(3,973)</b>	<b>-</b>	<b>(7,943)</b>
Housing Repairs Account	(1,089)	3,748	(3,679)	-	(1,020)
Housing Revenue Account Capital Balances	(14,025)	4,141	(5,970)	-	(15,854)
Sheltered Accommodation	(110)	6	(56)	-	(160)
<b>Total HRA Earmarked Reserves</b>	<b>(15,224)</b>	<b>7,895</b>	<b>(9,705)</b>	<b>-</b>	<b>(17,034)</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>(20,596)</b>	<b>9,297</b>	<b>(13,678)</b>	<b>-</b>	<b>(24,977)</b>

#### Earmarked Reserves

These accounts reflect the recommendations accepted by Cabinet for reserve increases and transfers approved between the draft and final accounts.

##### Budget Stability Reserve

There are various items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another, often due to factors that are outside the Council's control or influence; this reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where favourable variances arise. During 2018/19 £100,000 of this reserve was used to mitigate extended costs surrounding the implementation of the Local Plan.



#### Business Rates Equalisation Reserve

This reserve is established to mitigate future fluctuations in the business rates base alongside the risks faced by the Council through the anticipated changes in business rates baseline and fair funding. £553,000 was added to the reserve as planned during budget setting with a further £292,000 being added after the yearend position was known.

The Council's share of the Collection Fund deficit on collection of business rates for 2018/19 was £408,000, the balance on this reserve can be used to fund this deficit when it is charged to the General Fund in 2020/21.

#### Section 106 Developer Contributions

These represent amounts of money paid to the Council during development for specific projects and agreements with developers for the provision of additional facilities as and when land or schemes become available to provide those facilities.

#### Revenue Grants and Contributions from 3rd Parties

These are grant payments and contributions from 3rd parties where either the grant conditions have been met or no conditions exist. The monies are held in this reserve until required to fund expenditure in future years.

#### Welfare Support Reserve

This reserve has been created in 2018/19 as a result of reconsidering the specific risks arising from service provision in this area and a commitment to invest in IT. This will create a single point of resilience for pressures in this area which we anticipate and have included in the MTFP until we can implement the housing acquisition plans to reduce costs.

During the year we utilised £116,900 of the Homelessness Prevention Grant received in 2017/18 and if approved by members will use the balance of that grant, and the grant received in 2018/19 in order to reduce the overspend in this area. We have drawn in other balances relating to Housing Benefits previously in other reserves.

#### Town Centre Improvement Fund

This reserve will be used to support developments in the Town Centre intended to improve the experience of using that space for users, whether they be visitors, commuters, pedestrians or drivers.

#### Works Services Unit Operational Reserve

The primary purpose of this reserve is to mitigate any budget volatility from the Works Services Unit's trading activities from one year to the next, with annual surplus and deficits being transferred to and from the reserve respectively.

#### Hall of Fame Reserve

The cost of the works to install the World Rugby Hall of Fame and reconfigure the entrance foyer and atrium was £1.2m. The Council has a four-year licence for the operation of the Hall of Fame from 2016/17 to 2020/21. This capital outlay will be financed by four £300,000 Minimum Revenue Provision (MRP) payments from 2017/18 to 2021/22, resulting in a timing difference between the operational budgets and financing requirements. This reserve will be called upon to meet the final MRP instalment in 2021/22.

#### Carry Forward Reserve

This reserve holds the balances of underspent General Fund revenue budgets that will be requested for approval from members to be carried forward in to the new financial year. This allows the earmarking of these funds to be spent in the forthcoming financial year and aids the smoothing of volatility in General Fund balances.

#### Other Smaller Reserves e.g. Plant and Equipment Reserves

Plant and equipment reserves are typically set aside to either fund specific capital expenditure or for the maintenance of existing assets.

#### Housing Repairs Account and HRA Capital Investment Balances

Annually transfers are made from these reserves towards the cost of in year council house repairs and maintenance or capital projects. In addition, transfers are made to these reserves from income generated within the Housing Revenue Account towards the cost of future repairs and maintenance or capital schemes.

### Note 14. Other Operating Expenditure

2017/18 £000s	Other Operating Expenditure	2018/19 £000s
731	Parish Council Precepts	761
837	Payments to the Government housing capital receipts pool	493
(89)	Other Income - Unattached Receipts	(11)
1,508	(Gains)/Losses on the disposal of non-current assets	(71)
<b>2,987</b>	<b>Total</b>	<b>1,172</b>

### Note 15. Financing and Investment Income and Expenditure

2017/18 £000s	Financing and Investment income and Expenditure	2018/19 £000s
2,245	Interest payable and similar charges	2,183
1,070	Net interest on the net defined benefit liability	1,121
(714)	Interest receivable and similar income	(915)
(78)	Income and expenditure in relation to investment properties and changes in their fair value	(50)
(81)	(Gain) / Impairment of Financial Assets	(114)
<b>2,442</b>	<b>Total</b>	<b>2,225</b>

The gain on financial assets in 2018/19 related to the fair value of financial instruments (note 38). The gain on financial assets in 2017/18 related to the gain realised on the disposal of Icelandic banking assets (note 9).

### Note 16. Taxation and Non-Specific Grant Income and Expenditure

2017/18 £000s	Taxation and Non Specific Grant Income	2018/19 £000s
(7,151)	Council Tax Income	(7,470)
(15,757)	Retained business rates	(17,558)
12,395	Business rates tariff payments	12,768
(4,641)	Non ring-fenced Government grants	(4,117)
(442)	Capital grants and contributions	(887)
<b>(15,596)</b>	<b>Total</b>	<b>(17,264)</b>

## Note 17. Grant Income

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement 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.

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 and Expenditure Statement.

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

Total Grants Credited to Taxation and Non-Specific Grant Income	2017/18 £.000s	2018/19 £.000s
Revenue Support Grant	(511)	(153)
New Homes Bonus	(2,671)	(2,106)
Business Rates Section 31 Grants	(1,082)	(1,410)
Other Non-Specific Revenue Grants	(377)	(448)
<b>Revenue Grants</b>	<b>(4,641)</b>	<b>(4,117)</b>
Capital Grants Non-Conditional	-	(312)
Capital grants and contributions	(362)	-
Capital Grants Conditional	(80)	(525)
Capital Section 106 Funding Conditional	-	(50)
<b>Capital Grants</b>	<b>(442)</b>	<b>(887)</b>
<b>Total</b>	<b>(5,083)</b>	<b>(5,004)</b>

Grants included as income in the Net Cost of Services	2017/18 £000s	2018/19 £000s
<u>Credited to Services</u>		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(15,776)	(14,193)
DWP- Trailblazer Homelessness / MHCLG Preventing Homelessness	(280)	(318)
MHCLG- Flexible Homelessness Support Grant	(150)	(226)
Grounds Maintenance Section 106 Contributions	(162)	(213)
DWP - Discretionary Housing Allowance Subsidy	(140)	(148)
DWP Universal Credit Additional Management Support	(85)	(32)
The Cabinet Office - Individual Electoral Registration	(58)	(56)
MHCLG- Custom Build and Brownfield Development Grant	(35)	(34)
Walsall Council – ASH Project	(121)	-
Other Revenue Grants and Section 106 Funding (Less than £25,000)	(207)	(199)
<b>Revenue Grants and Contributions</b>	<b>(17,015)</b>	<b>(15,419)</b>
MHCLG - Disabled Facilities Grant	(596)	(713)
Section 106 Capital Funding	(31)	(22)
Section 106 Conditional Funding	-	(255)
<b>Capital Grants and Contributions</b>	<b>(627)</b>	<b>(990)</b>
<b>Total Grants Credited to Services</b>	<b>(17,642)</b>	<b>(16,409)</b>

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

	2017/18 £'000	2018/19 £'000
Revenue Section 106 Funding	(851)	(764)
Amounts Held in Perpetuity / Specific Reasons	(143)	(48)
Other Revenue grants (Less than £25,000)	(27)	(82)
<b>Revenue Receipts Held in Advance</b>	<b>(1,021)</b>	<b>(894)</b>
Capital Section 106 funding	(2,243)	(3,669)
Other Capital grants	(64)	(4)
<b>Capital Receipts Held in Advance</b>	<b>(2,307)</b>	<b>(3,673)</b>
<b>Total Receipts Held in Advance</b>	<b>(3,328)</b>	<b>(4,567)</b>

## Note 18. 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 a revenue 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.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets have short useful lives and/or low values, such as vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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 and Expenditure Statement to reverse a previous downward revaluation.

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

- 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 and Expenditure Statement.

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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any 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 per decreases in value noted previously.

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

### **Impairment Losses**

On 5 February 2019 Council received a report on the detailed findings of structural surveys at three high-rise blocks at Rounds Gardens and agreed to a recommendation to undertake redevelopment of the site. Consequently the buildings (held at £3.2m as at 31 March 2018) have been fully impaired.

### **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.

Depreciation is charged on council dwellings in the year of disposal.

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.

### Componentisation

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.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

### Subsequent Expenditure on Property Plant and Equipment

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that:

- It is probable that 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.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

### Disposals

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, whereas amounts below are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are 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 or HRA 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Valuations

Council dwellings have been included on the basis of their valuation by an external professional valuer, Mr A George (MRICS) of George and Company Chartered Surveyors, as at 1 April 2016. 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 2018/19 using house price indexation for the West Midlands to assess any general market changes in value. The result was an increase in value of approximately £2m. This approach was reviewed by Mr A George (MRICS) of George & Company Chartered Surveyors, whose own data suggests a similar result to the increase in values at a local level. Further to the potential issue with the varying shifts in value between flats and houses highlighted in previous years, Mr George notes that over the year the values between the different housing styles have again remained at a comparative level.

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

In September-November 2018 Mr Mawson valued a number of properties for 2018/19 totalling £4.8m 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 2019/20 to maintain the revised four-year rolling programme.

Where the revaluations resulted in a lower value for assets than previously held, they were assessed for impairment. This results in a charge being made to the Comprehensive Income and Expenditure Statement where there are 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.

In addition to land and buildings noted previously, Mr Mawson was also asked to review and confirm that the carrying value of all other land and buildings at the 31 March 2019 did not differ materially from the fair value of those assets at the end of the reporting period.

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.

2018/19	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2018	193,092	32,805	12,829	6,147	866	5,275	673	251,687
Additions	4,514	585	751	274	43	7	2,095	8,269
Derecognition – disposals	(1,189)	(42)	(157)	-	-	-	(158)	(1,546)
Derecognition - componentisation	(530)	-	-	-	-	-	-	(530)
Reclassification	119	17	15	40	-	(2,941)	(324)	(3,074)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,860	6	213	-	-	-	-	3,079
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,845)	(528)	-	-	-	-	-	(2,373)
Other movements in cost or valuation	52	-	-	-	-	312	-	364
At 31 March 2019	197,073	32,843	13,651	6,461	909	2,653	2,286	255,876
Depreciation and impairments								
At 1 April 2018	(4,691)	(925)	(8,254)	(1,914)	(20)	(17)	-	(15,821)
Charge for 2018/19	(2,934)	(583)	(1,078)	(296)	-	(10)	-	(4,901)
Derecognition – disposals	33	-	144	-	-	-	-	177
Reclassification	2	-	-	-	-	-	-	2
Depreciation written out to the Surplus / Deficit on the Provision of Services due to revaluation	2,727	344	70	-	-	-	-	3,141
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(3,507)	-	-	-	-	-	-	(3,507)
At 31 March 2019	(8,370)	(1,164)	(9,118)	(2,210)	(20)	(27)	-	(20,909)
Balance Sheet at 31 March 2019	188,703	31,679	4,533	4,251	889	2,626	2,286	234,967

2017/18	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2017	185,018	31,279	12,609	6,053	844	5,626	675	242,104
Additions	6,309	96	664	94	22	7	668	7,860
Derecognition – disposals	(1,429)	-	(541)	-	-	-	-	(1,970)
Derecognition - componentisation	(2,201)	-	-	-	-	-	-	(2,201)
Reclassification	444	-	97	-	-	-	(670)	(129)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,321	352	-	-	-	(358)	-	4,315
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	630	1,078	-	-	-	-	-	1,708
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2018	193,092	32,805	12,829	6,147	866	5,275	673	251,687
Depreciation and impairments								
At 1 April 2017	(2,623)	(711)	(7,640)	(1,613)	(20)	(7)	-	(12,614)
Charge for 2017/18	(2,767)	(531)	(1,128)	(301)	-	(10)	-	(4,737)
Derecognition – disposals	41	-	514	-	-	-	-	555
Reclassification	1	-	-	-	-	-	-	1
Depreciation written out to the Surplus / Deficit on the Provision of Services due to revaluation	2,597	317	-	-	-	-	-	2,914
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(1,940)	-	-	-	-	-	-	(1,940)
At 31 March 2018	(4,691)	(925)	(8,254)	(1,914)	(20)	(17)	-	(15,821)
Balance Sheet at 31 March 2018	188,401	31,880	4,575	4,233	846	5,258	673	235,866

	Council dwellings	Other land and buildings	Surplus Non-Operational assets	Investment Non-Operational assets	Assets held for sale	Total non-current assets carried at current value	Assets carried at other value	Total Valuation (All Assets)
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valued at historical cost	-	15	-	-	-	15	11,403	11,418
Valued at current cost in:								
2018/19	188,703	4,800	-		3,106	196,609	556	197,165
2017/18	-	17,031	55	723	-	17,809	-	17,809
2016/17	-	8,668	-	-	-	8,668	-	8,668
2015/16	-	1,165	2,571	-	-	3,736	-	3,736
Total	188,703	31,679	2,626	723	3,106	226,837	11,959	238,796

The statement shows the progress of the Council's rolling programme for the revaluation of current assets. The Council's housing stock was fully revalued as at 1 April 2016 by George and Co. Surveyors. A desktop exercise has been undertaken in 2018/19 by George and Co. Surveyors to restate the asset values in light of market conditions.

## Note 19. Investment Properties

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 and 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.

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see criteria in Note 2 General Accounting Policies)

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

The following table shows the net movement in the fair value of investment properties during 2018/19.

	2017/18	2018/19
	£000s	£000s
Balance at start of the year	695	723
Net gains/(losses) from fair value adjustments	28	-
Balance of end the year	723	723

## Note 20. 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 and 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.

	2017/18	2018/19
	£000s	£000s
Balance outstanding at start of year	76	120
Revaluation (losses)/gains	31	-
Assets sold	(56)	(120)
Reclassification	69	3,107
Balance outstanding at year-end	120	3,107

## Note 21. Capital Expenditure and Financing

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

### Government Grants and Contributions

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

### Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be funded from capital financing sources under statutory provisions but does not result in the creation of non-current assets for the Council 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 or HRA Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

### Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. This ensures that depreciation, revaluation and impairment losses and amortisations have no overall effect on council tax or housing rent levels.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt.

During 2015/16 the Council approved a policy such that, for capital expenditure incurred before 1 April 2008, the MRP is based on 2% straight-line method of the Council's Capital Financing Requirement for the General Fund.

During 2018/19 the Council approved a policy such that, for General Fund capital expenditure incurred after 1 April 2008, the MRP is based upon the asset life – annuity method where the financing was provided by borrowing. Statutory Guidance on MRP issued with effect from 1 April 2018 prohibits the retrospective calculation of this charge and therefore the policy will only apply after this date based on the Capital Financing Requirement at the point the calculation method is changed.

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

### Capital commitments

There were capital commitments as at 31 March 2019 of £2.660m for heating and bathrooms contracts and £0 at 31 March 2018.

### Capital Financing Requirement

	2017/18 £000s	2018/19 £000s
Opening Capital Financing Requirement (CFR)	86,630	84,733
<b>Capital Investment:</b>		
Property, Plant, and Equipment and Assets Held for Sale	7,860	8,303
Heritage Assets	85	2
Intangible Assets	192	127
Revenue Expenditure Funded from Capital under Statute	661	1,268
<b>Capital Investment Total</b>	<b>8,798</b>	<b>9,700</b>
<b>Sources of Financing:</b>		
Capital Receipts	(535)	(1,231)
Government Grants & Other Contributions	(770)	(1,770)
Sums Set Aside from Revenue	(1,961)	(4,551)
Earmarked Reserves	(4,692)	(1,346)
Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	(1,000)	-
Minimum Revenue Provision / Voluntary Revenue Provision	(1,737)	(1,705)
<b>Financing Total</b>	<b>(10,695)</b>	<b>(10,603)</b>
Closing Capital Financing Requirement (CFR)	84,733	83,830
<b>Explanation of movements in year:</b>		
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,897)	(903)
Increase / (decrease) in Capital Financing Requirement	(1,897)	(903)

## Note 22. Revaluation Reserve

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

2017/18 Total £000s		General Fund £000s	HRA £000s	2018/19 Total £000s
(39,336)	Balance as at 1 April	(29,129)	(15,151)	(44,280)
(7,267)	Upward revaluation of assets	(591)	(2,933)	(3,524)
1,687	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	302	73	375
(44,916)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(29,418)	(18,011)	(47,429)
505	Difference between fair value depreciation and historical cost depreciation	371	299	670
131	Accumulated gains on assets sold or scrapped	37	202	239
(44,280)	Balance as at 31 March	(29,010)	(17,510)	(46,520)

## Note 23. Capital Adjustment Account

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

2017/18 £000s		2018/19	
		£000s	£000s
(127,439)	Balance at 31 March		(130,706)
-	Adjustment to opening balance		(52)
(127,439)	Restated Balance as at 1 April		(130,758)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,453	General Fund charges for depreciation of non-current assets	2,412	
2,868	HRA charges for depreciation of non-current assets	3,076	
(2,713)	Revaluation and impairment loss: Property, Plant and Equipment	2,809	
151	Amortisation of intangible assets	205	
661	Revenue expenditure funded from capital under statute	1,268	
3,672	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,018	
7,092			11,788
(636)	Adjusting amounts written out of the Revaluation Reserve		(910)
(120,983)	Net written out amount of the cost of non-current assets consumed in the year		(119,880)
	Capital financing applied in the year:		
(535)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,469)	
(1,961)	Capital expenditure charged against the General Fund & HRA balances	(4,318)	
(4,692)	Use of the Major Repairs Reserve to finance new capital expenditure	(1,346)	
(770)	Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,077)	
(1,737)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,704)	
(9,695)			(10,914)
(28)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
(130,706)	Balance at 31 March		(130,794)

## Note 24. 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 and Social History Collections
- Monuments and Statues
- Historic sites / buildings
- Civic Regalia

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 practical 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.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments and 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.

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.

Reconciliation of the carrying value of Heritage assets held by the Council:

	Intangibles £000s	Art & Social History Collections £000s	Monuments & Statues £000s	Historic Sites / Buildings £000s	Civic Regalia £000s	Total Assets £000s
Cost or valuation						
1 April 2017	1,102	4,123	685	15,748	95	21,753
Additions	-	38	-	47	-	85
Revaluations	3	1,142	-	-	120	1,265
Reclassifications	-	-	-	-	-	-
Depreciation	(305)	-	-	(279)	-	(584)
31 March 2018	800	5,303	685	15,516	215	22,519
Cost or valuation						
1 April 2018	800	5,303	685	15,516	215	22,519
Additions	-	2	-	-	-	2
Revaluations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(305)	--	-	(282)	-	(587)
31 March 2019	495	5,305	685	15,234	215	21,934

### Revaluations of Heritage Assets

In accordance with the Council's accounting policy on Heritage Assets, valuations may be made by any method that is appropriate and relevant to the heritage asset. The art and social history collections and the civic regalia were valued for insurance purposes by external and internal valuers in 2017/18. Historic sites, principally the Great Central Walk bridges, were assessed for insurance purposes by council engineers on the basis of re-instatement costs, leading to a revaluation of £15.754m in 2015/16. These assets had previously been reported in the balance sheet at historic cost.

### Additions and Disposals of Heritage Assets

Additions in the year were £2,500 for acquisitions to The Art Collection.

### Art Collections

The Council's collections of art work are reported in the Balance Sheet at insurance valuation which is based on market values. The Rugby Art Collection was revalued by Michael Mays Consultancy in 2017/18. The collections include the following items:

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

#### The Rugby Art Collection

The Rugby Collection of 20<sup>th</sup> 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 25,000 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.



**Monuments and Statues**

- Echo sculpture (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 and Bailey Castle)

**Civic Regalia**

- Mayoral Badges of Office
- Mayoral and Councillor Robes
- Borough Mace / Various Silverware and Ceramic Items

**Intangibles**

This is for the purchase of the rights to the Rugby World Cup Collection used in the Hall of Fame exhibition which is exclusively licensed by the Council for 4 years.

## Note 25. 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 a Lessee

#### Finance leases

The Council has acquired the Land at Brownsover 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 31 March 2019. At inception, no upfront premium was payable and the minimum lease payment of "one peppercorn" has not been charged.

#### Operating Leases

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

The Council holds a limited number of operating leases, mainly relating to the lease of photocopiers with an annual rental of £35,674 and also lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of "one peppercorn" per annum.

The Council also subleases Car Parking spaces on part of the Rugby Central Car Park (formally Clock Towers), income is received from the owners based upon the annual surplus shown in their accounts. Payments were received in 2017/18 of £24,674 and in 2018/19 £21,041.

### The Council as Lessor

#### Finance leases

The Council as lessor did not hold any finance leases in 2018/19.

#### Operating leases

The Council has leased out properties under operating leases for the provision of community services (such as sport facilities or community centres) or economic development purposes to provide local businesses with affordable accommodation.

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

	31 March 2018 £000s	31 March 2019 £000s
Not later than one year	91	90
Later than 1 year and not later than 5 years	171	141
Later than 5 years	1,591	1,567
	1,853	1,798

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 no contingent rents were receivable by the Council.

### Note 26. Long Term Advances – Loans Outstanding

	Balance at 31 March 2018 £000s	Advances £000s	Amounts Repaid £000s	Balance at 31 March 2019 £000s
Loans for the Purchase and Improvement of Private Dwellings	32	-	-	32
Local Capital Finance Company	20	-	-	20
<b>Total</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>52</b>

### Note 27. Debtors (amounts due to the Council)

Net 1 April 2018 £000s		Debt £000s	Impairment Allowance £000s	Net 31 March 2019 £000s
	<b>Amounts due within one year</b>			
350	Central Government bodies	372	-	372
1,607	Other local authorities (Inc. Police)	2,673	-	2,673
34	Homelessness	54	(19)	35
519	Rent payers	1,135	(331)	804
320	Council tax payers	406	(33)	373
389	Non-domestic rate payers	120	(78)	42
1,180	Housing Benefit overpayments	2,115	(1,051)	1,064
1,487	Other entities and individuals	2,363	(365)	1,998
<b>5,885</b>		<b>9,238</b>	<b>(1,877)</b>	<b>7,361</b>
	<b>Amounts due in more than one year</b>			
85	Employee vehicle loans	64	-	64
78	Work in default	66	-	66
163		130	-	130
<b>6,049</b>	<b>Total</b>	<b>9,368</b>	<b>(1,877)</b>	<b>7,491</b>

The debtors position is shown, as required by the Code, net of impairment allowances for bad and doubtful debt.

## Note 28. Creditors (amounts owed to others by the Council)

31 March 2018 £000s		31 March 2019 £000s
(272)	HM Revenue and Customs (HMRC)	(302)
(4,161)	Other central Government bodies	(6,338)
(2,619)	Other local authorities (Inc. Police)	(4,369)
(225)	Rent payers	(258)
(88)	Council tax payers	(98)
(1,843)	Other entities and individuals	(1,681)
(9,208)	Total	(13,046)

The overall creditor balance has increased by £3.387m between 2017/18 and 2018/19. The largest balances are for amounts owed to central Government bodies and other local authorities at the end of 2018/19, this is predominantly related to the year-end deficit on the collection of business rates as recorded in the Collection Fund.

## Note 29. 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.

The balance of Cash and Cash Equivalents is made up of the following elements:

2017/18 £000s		2018/19 £000s
(4)	Cash held / (overdrawn) by the Council	(344)
-	Bank current accounts	-
17,727	Money Market Funds	1,376
17,723	Total	1,032

These changes in the investments held are due to selling out of money market funds and replacing them with better performing corporate bonds

### Note 30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2018 £000s		31 March 2019 £000s
439	Interest received	1,483
(2,150)	Interest paid	(2,115)
-	Dividends received	-

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018 £000s		31 March 2019 £000s
5,321	Depreciation	5,488
(2,712)	Impairment and downward valuations	2,651
151	Amortisation	206
-	Increase/(decrease) in impairment for bad debts	-
(2,061)	Increase/(decrease) in creditors	657
637	(increase)/decrease in debtors	(181)
(29)	(increase)/decrease in inventories	4
3,080	Movement in pension liability	2,930
3,672	Carrying amount of non-current assets and non-current assets held for sale, sold or recognised	2,018
2,469	Other non-cash items charged to the net surplus or deficit on the provision of services	790
10,528		14,563

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31 March 2018 £000s		31 March 2019 £000s
10,968	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	3,969
(2,238)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,099)
(1,083)	Any other items for which the cash effects are investing or financing cash flows	(1,540)
7,647		330

### Note 31. Cash Flow Statement – Investing Activities

31 March 2018 £000s		31 March 2019 £000s
(8,544)	Purchase of property, plant and equipment, investment property and intangible assets	(8,626)
(90,362)	Purchase of short-term and long-term investments	(103,257)
73	Other payments for investing activities	-
2,238	Proceeds from the sale of property, plant, and equipment, investment property and intangible assets	2,092
76,379	Proceeds from short-term and long-term investments	78,498
2,769	Other receipts from investing activities	2,979
(17,447)	Net cash flows from investing activities	(28,314)

### Note 32. Cash Flow Statement – Financing Activities and Reconciliation of Liabilities Arising from Financing Activities

31 March 2018 £000s		31 March 2019 £000s
28,000	Cash receipts of short and long-term borrowing	41,000
79	Other receipts from financing activities	149
(30,200)	Repayments of short and long-term borrowing	(46,600)
1,654	Other payments for financing activities	2,212
(467)	Net cash flows from financing activities	(3,239)

	Long Term Borrowings £000s	Short Term Borrowings £000s	Total £000s
1 April 2018	(61,509)	(38,082)	(99,591)
Cash-flows			
- Repayment	17,600	29,000	46,600
- Proceeds	(21,000)	(20,000)	(41,000)
Non cash:			
- Acquisition	-	-	-
- Fair Value	-	-	-
- Reclassification	400	(376)	24
31 March 2019	(64,509)	(29,458)	(93,967)

### Note 33. Trading Operations

Rugby Borough Council has a number of services that operate in a commercial environment and the Service Manager is required to balance their budget by generating income. Details of those units with a significant turnover in 2018/19 are as follows:

2017/18 (Surplus) / Deficit £000s	Service	Expenditure £000s	Income £000s	2018/19 (Surplus) / Deficit £000s
(180)	Trade waste	840	(1,018)	(178)
(281)	Car parking	336	(573)	(237)
(461)	Total	1,176	(1,591)	(415)

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement, including some integral parts of the Council's services to the public (e.g. Refuse Collection and Street Cleansing). The expenditure of these operations is allocated or recharged to the relevant service headings within Cost of Services.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The Code does not permit charges for cost of capital to be debited to trading accounts, so that the recharges that have been made result in a surplus for the accounts. As a result, the accounts for trade refuse collection show a surplus of £178,000 that would be reduced to £141,000 if cost of capital charges had been made, and those for car parking show a surplus of £237,000 that would be reduced to £144,000

### Note 34. External Audit Costs

In 2018/19 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2017/18 £000s	2018/19 £000s
Fees payable to the appointed auditor, Grant Thornton, regarding external audit services	55	42
Fees payable to the appointed auditor, Grant Thornton, for the certification of grant claims and returns	9	-
Additional fees payable to the appointed auditor, Grant Thornton, for the certification of grant claims and returns in relation to 2016/17	7	7
Fees payable in respect of other services provided by, Grant Thornton, during the year	3	-
Total	74	49

Fees payable to for the certification of grant claims and returns relate to the certification of the Housing Benefit Subsidy return.

Fees payable in respect of other services relate to the certification of the Housing Capital Receipts grant claim.

## Note 35. Related Party Transactions and Joint Operations

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 Notes 16 and 17.

### 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. Declarations are made under section 81 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001. The following sources make up the Council's core elements for managing the risk of Fraud, Bribery and Corruption and 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 the Council's Constitution and Anti-Fraud, Bribery and Corruption Strategy.

Senior council officers remuneration paid during 2018/19 is set out in Note 7; Members allowances are stated in Note 8.

During 2018/19, six members of the Borough Council were also Warwickshire County Councillors (Cllr Peter Butlin; Cllr Heather Timms; Cllr Jill Simpson-Vince; Cllr Jerry Roodhouse; Cllr Maggie O'Rourke and Cllr Howard Roberts).

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 memberships.

A list of representatives relevant to 2018/19 was approved at the Annual Meeting of the Council on 17 May 2018.

Where members declared an interest in an organisation:

- £15,000 was paid in voluntary grants to those related organisations
- £79,110 was paid for other services to those related organisations

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 members of the Borough Council and their various interests of this type can be made available upon request at the Town Hall, Rugby.

### **Other Public Bodies (subject to control by Central Government)**

#### **West Midlands Combined Authority**

The Council is also a non-constituent member of the West Midlands Combined Authority (WMCA). The WMCA is a group of councils across the region that is working together to seek greater decision-making powers from the Government in a process known as devolution.

In the Scheme sent to Government only constituent members have voting rights. However, once the WMCA is established constituent members can give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities.

In 2018/19 Rugby Borough Council paid the WMCA a £25,000 contribution to help fund its programmes and initiatives.

#### **HEART Partnership**

The HEART partnership is a service operated on behalf of Warwickshire councils. It provides advice and assistance to deliver disabled adaptations and home improvements to keep homes safe, secure and warm. Caseworkers assess customers' needs and housing conditions and provide tailored advice and support on a range of issues including:

- Home aids and adaptations
- Housing conditions, repairs and safety matters
- Benefits, grants or loans for essential building works

Rugby Borough Council contributed £743,000 to the partnership in 2018/19 predominantly funded via its Disabled Facilities Grant allocation for the year of £713,000.

#### **Warwickshire Together Homelessness Early Intervention Project**

The Warwickshire Together Homelessness Early Intervention Project is fully funded by grant from the Department for Communities and Local Government's Homelessness Prevention Trailblazers fund. The joint project comprises Rugby Borough Council, Nuneaton and Bedworth Borough Council, North Warwickshire Borough Council, Stratford-on-Avon District Council and Warwick District Council. Rugby Borough Council facilitates the scheme.

### **Shared Service Arrangements**

#### **Rainsbrook Crematorium**

Rainsbrook Crematorium is a joint project between Rugby Borough Council and Daventry District Council. The Crematorium is operated by Rugby Borough Council's bereavement services team on behalf of a joint committee which represents both authorities. Each council has an equal share in the entity. In 2018/19, Rugby Borough Council paid £142,000 to Daventry District Council in relation to their share of the annual operating surplus.

### Shared Fly Tipping Service

The Council's Regulatory Services Department deploy their Wardens to provide a Fly-Tipping Service and in 2018/19 this yielded income of £33,296 from Harborough District Council and £22,685 from Warwick District Council.

### Shared Building Control Service

The Council is part of a shared Building Control Service with Warwick District Council and Daventry District Council who host and provide the Building Control Service. In 2018/19 the Council contributed £57,000 into the scheme.

### Shared Services with Nuneaton and Bedworth Borough Council (NBBC)

In 2018/19 the following transactions were incurred in respect of shared service arrangements with NBBC:

- £39,400 was paid to NBBC as the lead authority in a shared procurement service.
- £15,900 was paid to NBBC to meet the shared IT training officer salary costs.
- £4,100 was paid to NBBC for Construction Design and Management (CDM) support in order to meet health, safety and welfare regulations when carrying out construction projects.
- NBBC paid £20,300 to Rugby Borough Council to meet the shared IT officer salary costs to provide Civica APP Support and Development.
- NBBC paid £15,400 to Rugby Borough Council towards a shared information management partnership, which includes Data Protection, Freedom of Information and the Environmental Information Regulations.

### Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2018/19; 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 and Rugby Business Improvement District (BID) Company. The majority of individual transactions may be material for the recipient organisations but are relatively immaterial in financial terms for this organisation.

### Rugby First Ltd - BID Division

As Growth & Investment Portfolio Holder, Cllr Sebastian Lowe and as Environment & Public Realm Portfolio Holder, Cllr Lisa Parker, are on the Board of Rugby First Limited. An amount of £1.106m was paid to the BID Company in 2018/19 of which £581,000 related to the collection of BID levy income, the remaining £0.525m was paid to the BID Company to provide a CCTV Monitoring and Town Centre Management Service.

### Queen's Diamond Jubilee Centre

The Queen's Diamond Jubilee Centre is owned by Rugby Borough Council and is operated by Greenwich Leisure Ltd (GLL). Rugby Borough Council funded £0.277m in capital charges and received £0.337m from GLL for the annual contract fee and profit share as per the contract agreement in 2018/19.

### The Hall of Fame – World Rugby

In 2016/17 Rugby Borough Council began a partnership with World Rugby Ltd to operate the Hall of Fame for a four-year period with the license due to expire in 2020/21.

## Note 36. Pension Costs

### Pension Benefits

As part of the terms and conditions of employment of its officers, the 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 for those benefits and to disclose them at the time that the employees earn their future entitlement.

### Participation in pension schemes

Rugby Borough Council participates in two post-employment schemes:

- **The Local Government Pension Scheme (LGPS)**, which is administered locally by Warwickshire County Council – this is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2018/19 the Council paid an employer's contribution total of £2.482m, which represented 22.03% of employees' pensionable pay of £11.268m into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations and the current rate was determined by the latest valuation undertaken up to 31 March 2016.
- **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 pension payments as they eventually fall due. In 2018/19 the cost of the added years benefit awarded in the past amounted to £120,000 representing 1.06% of pensionable pay.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (e.g. large-scale withdrawals), changes to inflation, bond yields and the performance of the equity investments held by the scheme. However, these are mitigated to a certain extent by the statutory provisions as set out in the following narrative.

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. The negative balance that arise on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions

about mortality rates, employee turnover rates and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period
  - Fixed interest securities – net market value based on their current yields
  - Unquoted investments – professional estimate

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

- **Service Cost** - comprising:
  - **current year service cost** – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **past service cost** – the increases in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - **net interest on the net defined liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements** - comprising:
  - **the return on plan assets** – excluding amounts including in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - **actuarial gains and losses** – change in the net pensions liability that arise because event have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

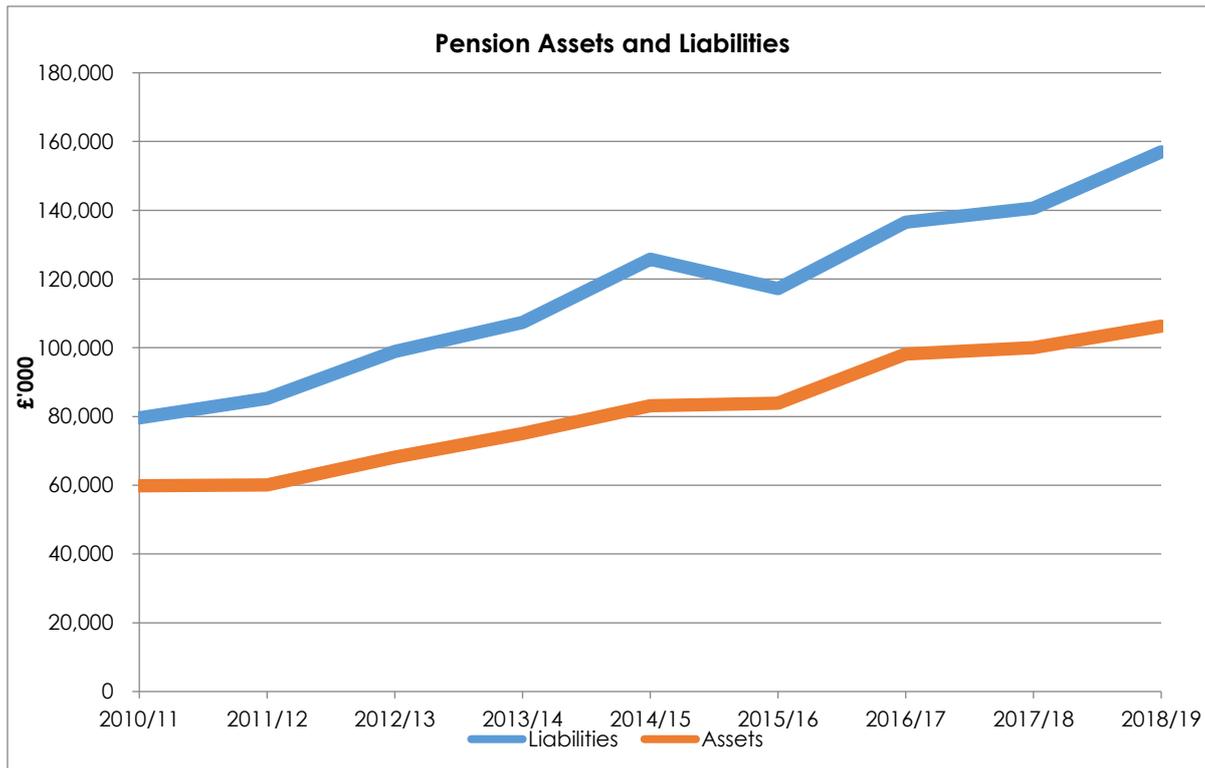
### Transactions relating to Post-Employment Benefits

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 and HRA rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services</i>				
• Current Service Costs	4,416	4,395	-	-
• Past Service Costs	70	16	-	-
<i>Financing and Investment Income and Expenditure</i>				
• Net Interest Expense	1,025	1,078	44	43
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,511</b>	<b>5,489</b>	<b>44</b>	<b>43</b>
<i>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Re-measurement of the net defined benefit liability comprising:				
• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
• Actuarial gains and losses arising on changes in financial assumptions	(2,501)	11,530	(4)	17
• Other experience	-	-	(48)	33
• Return on Plan Assets (excluding the amount included in the net interest expense)	(54)	(4,464)	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,956</b>	<b>12,555</b>	<b>(8)</b>	<b>93</b>
<b>Movement in Reserves Statement (MiRS)</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(5,511)	(5,489)	(44)	(43)
<i>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</i>				
• Employer's contributions payable to the scheme	2,353	2,482	-	-
• Retirement benefits payable to pensioners	-	-	123	120
<b>Total Post Employment Benefit Charged through the MiRS</b>	<b>(3,158)</b>	<b>(3,007)</b>	<b>79</b>	<b>77</b>

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

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



	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Present Value of the Defined Benefit Obligation	(139,004)	(155,384)	(1,638)	(1,611)
Fair Value of Plan Assets	99,996	106,303	-	-
Net Liability Arising from the Defined Benefit Obligation	(39,008)	(49,081)	(1,638)	(1,611)

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £50.692m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

#### Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2017/18 £000s	2018/19 £000s
Opening Balance at 1 April	98,180	99,996
Interest Income on Plan Assets	2,541	2,687
Return on Plan Assets, excluding the amount included in the net interest expense	54	4,464
Contributions from Employer	2,476	2,602
Contributions from Scheme Participants	695	722
Benefits Paid	(3,950)	(4,168)
Closing Balance at 31 March	99,996	106,303

#### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Opening Balance at 1 April	136,585	139,004	1,769	1,638
Current Service Cost	4,416	4,395	-	-
Interest cost	3,566	3,765	44	43
Contributions by Scheme Participants	695	722	-	-
Re-measurement Gain/(Loss):				
• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
• Actuarial gains/losses arising from changes in financial assumptions	(2,501)	11,530	(4)	17
• Other experience	-	-	(48)	33
Benefits Paid	(3,827)	(4,048)	(123)	(120)
Past Service Costs	70	16	-	-
Closing Balance at 31 March	139,004	155,384	1,638	1,611

#### 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, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	2017/18 £000s	2018/19 £000s
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
• Men	22.5	22.5
• Women	24.7	24.7
Longevity at 65 for future pensioners (years):		
• Men	24.3	24.3
• Women	26.7	26.7
Rate of increase in salaries	3.0%	3.1%
Rate of increase in pensions	2.4%	2.5%
Rate of discounting of scheme liabilities	2.7%	2.4%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for those pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

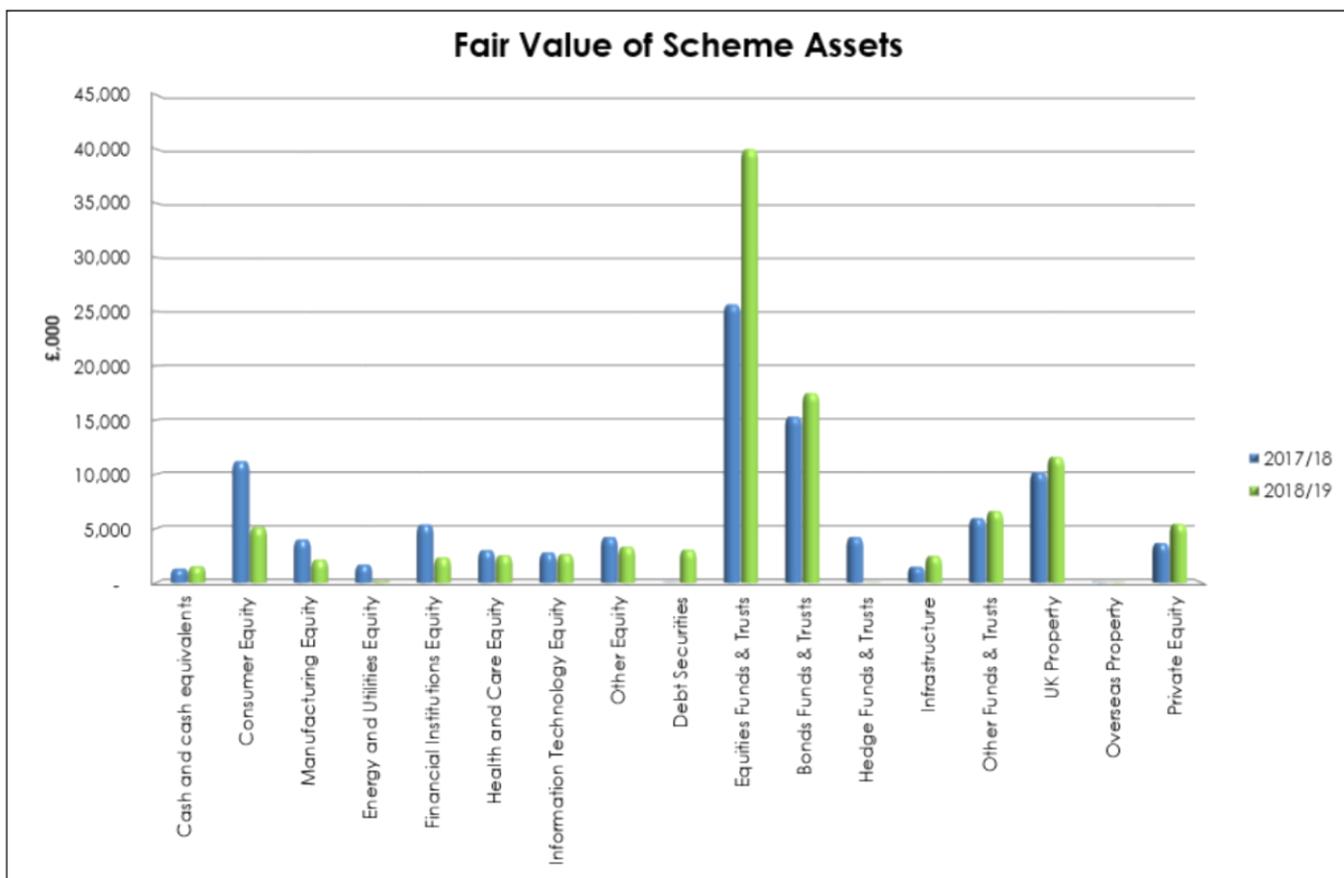
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analyses shown in the next table have been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

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

IAS19 *Employee Benefits* requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows.

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate Monetary Amount £000s	Approximate % increase to Employer Liability
Rate of increase in salaries (increase by 0.5%)	2,230	1%
Rate of increase in pensions (increase by 0.5%)	13,460	9%
Rate for discounting scheme liabilities (decrease by 0.5%)	15,957	10%

**Local Government Pension Scheme Assets Comprised:**



**Impact on the Council's Cash Flows**

The contributions paid by Rugby Borough Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being at 31 March 2016). The objectives of the scheme are to keep employers' contributions at as constant a rate as possible; the contributions payable over the period to 31 March 2019 are set out in the Rates and Adjustments Certificate. Warwickshire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. The next triennial valuation is due to be completed as at 31 March 2019. Employer contributions for the period to 31 March 2020 are estimated to be approximately £2.574m.

### Note 37. 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 payable.

2017/18 £000s		2018/19 £000s
40,174	Balance at 1 April	40,646
(2,608)	Re-measurement of the net defined liability	7,116
5,556	Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES	5,532
(2,476)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,602)
40,646	Balance at 31 March	50,692

### Note 38. Financial Instruments

#### Financial Liabilities (e.g. Borrowing)

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets (e.g. Investments)**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

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

31 March 2018			31 March 2019	
Long Term	Short Term		Long Term	Short Term
£000s	£000s		£000s	£000s
		<b>Financial Assets</b>		
17,008	12,555	At amortised cost	16,977	45,431
3,821	15,301	Available for sale instruments	-	-
-	-	At fair value through profit and loss	-	6,539
20,829	27,856	<b>Total Investments</b>	16,977	51,970
		Loans and receivables		
-	17,723	Cash and Cash Equivalents	-	-
-	-	At amortised cost	-	1,032
-	17,723	<b>Total Cash and Cash Equivalents</b>	-	1,032
85	2,801	Trade Receivables	64	3,552
85	2,801	Included in Debtors	64	3,552
20,914	48,380	<b>Total Financial Assets</b>	17,041	56,554
		<b>Financial Liabilities</b>		
(61,509)	(38,082)	Loans at amortised cost	(64,509)	(29,548)
-	(1,844)	Creditors	-	(1,681)
(61,509)	(39,926)	<b>Total Financial Liabilities</b>	(64,509)	(31,229)

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2017/18				2018/19		
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale		Financial Liabilities Measured at Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Measured at Fair Value through Profit and Loss
£'000	£'000	£'000		£'000	£'000	£'000
(2,245)			Interest Expense	(2,183)		
(2,245)			Total Expense in Surplus/Deficit on the Provision of Services	(2,183)		
-	-	82	Net gain on financial assets at fair value through profit and loss	-	-	113
-	81	-	Impairment Gain	-	-	-
-	373	341	Interest income	-	677	238
	454	423	Total Income in Surplus/Deficit on the Provision of Services		677	351
-	-	(82)	Gains on revaluation	-	-	(113)
(2,245)	454	341	Net Gain/(Loss) for the Year	(2,183)	677	238

### Fair Values of Assets and Liabilities

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	31 March 2018 Fair Value £000s	31 March 2019 Fair Value £000s
Available for Sale – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,405	2,441
Available for Sale – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,926	1,926
Available for Sale – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,035	2,172
Available for Sale – Corporate Bonds	Level 1	Unadjusted quoted prices in active markets for identical shares	12,625	-
			18,991	6,539

There were no transfers between input levels during the financial year 2018/19. There has been no change in valuation technique used during the year for financial instruments.

### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial instruments, except those classified at amortised cost, are carried in the balance sheet at fair value. The fair values of financial instruments classified at amortised cost 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 methods and assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, premature repayment rates from the PWLB have been applied to provide fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been used to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
  - No early repayment or impairment is recognised
  - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

The fair values are calculated as follows:

31 March 2018			31 March 2019	
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
		<b>Financial Assets held at amortised cost</b>		
-	-	Corporate, Covered and Government Bonds	15,828	15,466
-	-	Long Term Investments	14,970	14,923
			<b>30,798</b>	<b>30,389</b>
		<b>Assets for which Fair Value is not disclosed</b>		
85	-	Long Term Debtors	64	-
27,856	-	Short Term Investments	31,610	-
17,723	-	Cash and Cash Equivalents	1,032	-
2,801	-	Debtors	3,552	-
<b>48,465</b>	-		<b>36,258</b>	-
48,465		<b>Total Financial Assets</b>	<b>67,056</b>	<b>30,389</b>
		<b>Financial Liabilities at amortised cost</b>		
		Borrowing		
(43,496)	(46,336)	Public Works Loans Board	(35,894)	(38,750)
(56,095)	(61,746)	Other	(58,163)	(67,843)
<b>(99,591)</b>	<b>(108,082)</b>	<b>Total Borrowing</b>	<b>(94,057)</b>	<b>(106,593)</b>
(1,844)	(1,844)	Creditors	(1,681)	(1,681)
(101,435)	(109,926)	<b>Total Financial Liabilities</b>	<b>(95,738)</b>	<b>(108,274)</b>

The fair value of the liabilities is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at the 31 March 2019. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £38.750m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early to the PWLB, the PWLB would raise a penalty charge, based on redemption interest rates, for early redemption of £4.222m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £40.116m.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Current debtors and creditors are carried at cost as this is a fair approximation of their value.

### Note 39 Nature and Extent of Risk Arising from Financial Instruments

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.

#### 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.

### Amounts Arising from Expected Credit Losses

We have assessed the Council's short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made. A summary of the credit quality of the Council's investments at 31 March 2019 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

As at 31 March 2018		Deposits with banks and financial institutions	As at 31 March 2019	
Carrying Amount on Balance Sheet £000s	Estimated maximum exposure to default £000s		Carrying Amount on Balance Sheet £000s	Estimated maximum exposure to default £000s
6,825	-	AAA rated counterparties/products	4,817	-
22,990	5	AA rated counterparties/products	34,592	7
8,530	7	A rated counterparties/products	20,867	17
10,341	23	BBB rated counterparties/products	8,672	19
2,885	87	Trade Debtors	3,616	108
51,571	122	Total	72,564	151

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2018 £000s	31 March 2019 £000s
Less than three months	193	326
Three to six months	77	600
Six months to one year	115	136
More than one year	252	323
Total	637	1,385

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

### Liquidity risk

There is no significant risk that the Council 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 outlined 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 2018 £000s	31 March 2019 £000s
Less than one year	27,856	51,970
Between one and two years	11,899	8,029
Between two and three years	8,930	5,986
More than three years	-	2,962
<b>Total</b>	<b>48,685</b>	<b>68,947</b>

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

### 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 Financial Services 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 2019 £000s	Actual 31 March 2018 £000s	Actual %
Less than one year*	50	-	17,036	22,683	21
12 months to 2 years	50	-	29,692	12,017	36
Between 2 and 5 years	60	-	18,232	32,833	22
Between 5 and 10 years	60	-	11,796	11,797	14
Between 10 and 20 years	75	-	515	515	1
Between 20 and 30 years	75	-	512	512	1
Between 30 and 40 years	75	-	434	434	1
More than 40 years	75	-	3,766	3,766	5
<b>Total*</b>			<b>81,983</b>	<b>84,557</b>	<b>100</b>

## Market 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.

Investments measured at amortised cost and loans borrowed are not carried at fair value so changes in their fair value will have no impact on 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 Financial Services 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** –the Council has no financial assets or liabilities denominated in foreign currencies.

## Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 *Financial Instruments* accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements and disclosures. The adoption of the new standard has had no material impact on the Council and consequently there is no change to the General Fund balance at 1 April 2018. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31 March 2018 £000s	Reclassification £000s	Remeasurement £000s	IFRS 9 1 April 2018 £000s
<b>Financial Liabilities</b>				
<b>Borrowing</b>				
Amortised Cost	(99,591)	-	-	(99,591)
<b>Creditors</b>				
Loans and receivables at amortised cost	(1,844)	1,844	-	-
Amortised Cost	-	(1,844)	-	(1,844)
<b>Total Financial Liabilities</b>	<b>(101,435)</b>	<b>-</b>	<b>-</b>	<b>(101,435)</b>
<b>Financial Assets</b>				
<b>Investments</b>				
Loans and receivables at amortised cost	29,563	(29,563)		
Amortised Cost	-	42,261	-	42,261
Available for Sale Investments	19,123	(19,196)	73	-
At fair value through profit and loss	-	6,498		6,498
<b>Total Investments</b>	<b>48,686</b>	<b>-</b>	<b>73</b>	<b>48,759</b>
<b>Cash and Cash Equivalents</b>				
Loans and receivables at amortised costs	17,723	(17,723)	-	-
Amortised cost		17,723	-	17,723
<b>Total cash and cash equivalents</b>	<b>17,723</b>	<b>-</b>	<b>-</b>	<b>17,723</b>
<b>Debtors</b>				
Loans and receivables at amortised costs	2,886	(2,886)	-	-
Amortised cost		2,886	-	2,886
<b>Total Debtors</b>	<b>2,886</b>	<b>-</b>	<b>-</b>	<b>2,886</b>
<b>Total Financial Assets</b>	<b>69,295</b>	<b>-</b>	<b>73</b>	<b>69,368</b>
<b>Net Financial Liabilities</b>	<b>(32,140)</b>	<b>-</b>	<b>73</b>	<b>(32,067)</b>

	IAS 39	Reclassification	Remeasurement	IFRS 9
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	31 March 2018 £000	£000	£000	1 April 2018 £000s
<b>Reserves</b>				
<b>Usable Reserves</b>				
General Fund Balance	(3,069)	-	73	(2,996)
Other Usable Reserves	(31,767)			(31,767)
<b>Total usable reserves</b>	<b>(34,836)</b>	<b>-</b>	<b>73</b>	<b>(34,763)</b>
<b>Unusable Reserves</b>				
Available for Sale Financial Instruments Reserves	(367)	367	-	-
Pooled Fund Adjustment Account	-	(440)	-	(440)
Other Unusable Reserves	(126,603)	-	-	(126,603)
<b>Total Unusable Reserves</b>	<b>(126,970)</b>	<b>(73)</b>	<b>-</b>	<b>(127,043)</b>
<b>Total Reserves</b>	<b>(161,806)</b>	<b>(73)</b>	<b>73</b>	<b>(161,806)</b>

### Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018

#### Statutory Override on pooled investments

The Council holds £6.000m in pooled investment funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

Bonds with a carrying value of £12.625m at 31 March 2018 were reclassified from available for sale to amortised cost, as the fact that they have a quoted market price is no longer relevant to its classification and it is being held as part of a business model to collect contractual cash flows.

#### Note 40. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains made or losses incurred by the Council arising from increases or decreases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance was reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Disposed of and the gains are realised.

The Council adopted the IFRS 9 *Financial Instruments* accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets. As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and any balance held has been transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investments in the CCLA Property and Diversified Income Funds, and the Lothbury Property Fund.

2017/18 £000s		2018/19 IFRS 9 1 April 2018	
		£000s	£000s
(285)	Balance at 1 April		(367)
(266)	Upward revaluation of investments	-	
295	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	
(111)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	
-	Reclassification to amortised cost	(73)	
-	Transfer to Financial Instruments Revaluation Reserve	440	
(82)	Net Movement		367
(367)	Balance at 31 March		0

## Note 41. 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 and Expenditure Statement. When payments are eventually made these are charged to the provision carried in the Balance Sheet.

	2018/19 Business Rates Appeals £000s	2018/19 Redundancy £000s	2018/19 Total £000s
<b>Short – Term Provisions</b>			
Balance at 1 April	(1,461)	(42)	(1,503)
Amounts used in the year	679	42	721
Increase/decrease in provision	(472)	(49)	(521)
Balance at 31 March	(1,254)	(49)	(1,303)
<b>Long – Term Provisions</b>			
Balance at 1 April	(2,976)	-	(2,976)
Amounts used in the year	167	-	167
Increase/decrease in provision	(1,159)	-	(1,159)
Balance at 31 March	(3,968)	-	(3,968)
<b>Total</b>	<b>(5,222)</b>	<b>(49)</b>	<b>(5,271)</b>

### Provision for Business Rate Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors (10%), central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

On 1 April 2018 the Council's provision for business rate appeals was £4.4m. During the financial year £0.85m was charged to the provision for successful appeals in 2018/19 which have been previously provided for.

After reflecting the amounts charged to the provision in 2018/19, the Council carried out an assessment of the future risk of appeal losses. The basis of this forecast was to apply 4.7% to gross rates payable being the national average of appeal losses on the 2010 rating list as measured by MHCLG. Following this, the 2018/19 overall provision in the business rates Collection Fund has been increased to £13m. Rugby Borough Council's 40% share of the total provision is £5.22m of which it is expected that £1.25m will be settled in the next twelve months and £3.97m in 2019/20 or later years.

### Provision for Redundancy Costs

A provision of £49,000 has been included at 31 March 2019 to cover the anticipated redundancy costs of three posts that were placed at risk prior to the end of the financial year. The opening balance of £42,000 related to two other posts that were at risk at 31 March 2018, this balance was released during 2018/19 as these posts were made redundant.

### Note 42. Contingent Liabilities and Assets

#### Contingent Liabilities

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

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Rugby Borough Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Rugby Borough Council is that total liabilities could be 0.14% higher as at 31 March 2019, an increase of approximately £211k.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Rugby Borough Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.42% higher as at 31 March 2019, an increase of approximately £650k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but are disclosed in the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The Council is part of a Business Rates pool with Warwickshire County Council, Coventry City Council and all Warwickshire districts. Part of the Memorandum of Understanding for the Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority. As at the end of March 2019, Rugby held £1.254m within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level, or if we left the pool, or if the pool dissolved.

### Note 43. Events after the Reporting Period

Events taking place 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 Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of 2018/19 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2019 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

There are no post balance sheet events for 2018/19.

## HOUSING REVENUE ACCOUNT

### Income and 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.

2017/18 (restated) £000s		2018/19 £000s
	<b>Income</b>	
(16,220)	Dwelling Rents	(15,540)
(163)	Non-dwelling rents	(184)
(1,169)	Charges for services	(1,201)
(187)	Contributions towards expenditure	(164)
(17,739)	<b>Total Income</b>	<b>(17,089)</b>
	<b>Expenditure</b>	
2,868	Repairs and maintenance	3,744
4,658	Supervision and management	5,630
4	Rents, rates, taxes and other charges	48
1,607	Depreciation and impairment of non-current assets	5,757
28	Debt management costs	38
263	Movement in allowance for bad debts	23
9,428	<b>Total Expenditure</b>	<b>15,240</b>
(8,311)	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(1,849)
200	HRA Share of Corporate and Democratic Core costs	214
(8,111)	<b>Net Expenditure of HRA Services</b>	<b>(1,635)</b>
1,442	(Gain) or Loss on sale of HRA non-current assets	(119)
1,262	Interest payable and similar charges	1,313
(234)	Interest and investment income	(418)
183	Pension interest and expected return on pension assets	202
-	Capital grants and contributions receivable	(180)
-	Other Income – Unattached Receipts	(7)
(5,458)	<b>(Surplus) or Deficit for the year on HRA services</b>	<b>(844)</b>

## Movement on the HRA Statement

2017/18 £000s		2018/19 £000s
(1,431)	HRA revenue balance brought forward	(6,493)
(5,458)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	(844)
1,866	Adjustments between accounting basis and funding basis under statute	441
(3,592)	Net (increase) or decrease before transfers to or from reserves	(403)
(1,470)	Transfers to or (from) earmarked reserves	1,811
(5,062)	(Increase) or decrease in the HRA Revenue Balance	1,407
(6,493)	HRA revenue balance carried forward	(5,085)

## Note to the Movement on the HRA Statement

2017/18 £000s	Adjustments between accounting basis and funding basis under statute	2018/19 £000s
(2,868)	Depreciation of non-current assets	(3,076)
1,318	Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(2,625)
(57)	Amortisation of intangible assets	(57)
(3,648)	Amounts of non-current assets written off on disposal or sale	(1,807)
2,206	Sale proceeds credited as part of the gain/loss on disposal	1,926
-	Transfer to Accumulated Absences account	2
1,662	Capital expenditure financed from revenue balances	4,149
-	Capital grants and contributions applied	180
-	Transfer of Unattached Receipts to the Capital Receipts Reserve	7
(923)	Net charges made for retirement benefits (IAS 19)	(961)
3,790	Reversal of Major Repairs Allowance credited to the HRA	2,287
-	Statutory provision for the financing of capital investment	-
386	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	416
1,866		441

2017/18 £000s	Transfers to or (from) earmarked reserves	2018/19 £000s
135	Transfer to or (from) Housing Repairs Account	(68)
(1,662)	Transfer to or (from) HRA Capital Investment balances	1,828
57	Transfer to or (from) other earmarked reserves	50
(1,470)		1,810

## Note 1. HRA Assets

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

2017/18		2018/19
2,145	Houses/Bungalows (including part-ownerships)	2,151
1,634	Flats	1,635
3,779		3,786

The change in the stock was as follows:

2017/18		2018/19
3,796	Stock at 1 April	3,779
(25)	Less sales (including part-ownership)	(20)
-	Less removal from stock	-
-	Add: new build properties	-
8	Add: purchase of properties	27
3,779	Stock at 31 March	3,786

The balance sheet includes HRA assets as follows:

2017/18 £000s		2018/19 £000s
	Balance Sheet values as at 31 March	
188,401	Operational Assets: Dwellings	188,703
799	Operational Assets: Other Land & Buildings	798
395	Operational Assets: Equipment	622
701	Operational Assets: Infrastructure	698
120	Non-Operational Assets	131
433	Assets Under Construction	2,166
190,849		193,118

## Note 2. Vacant Possession

2017/18 £000s		2018/19 £000s
469,406	Vacant Possession Value of Dwellings at April 2016 prices	469,066
(188,401)	Balance Sheet Value of Dwellings	(188,703)
281,005	Economic cost to Government	280,363

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 40%.

### 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.

2017/18 £000s		2018/19 £000s
(2,463)	Balance at 1 April	(1,579)
(2,868)	Depreciation on non-current assets	(3,076)
(922)	Appropriations to or (from) HRA Revenue	789
(18)	Interest received	(24)
(6,271)	Sub-total	(3,890)
4,692	Capital financing	1,346
(1,579)	Balance at 31 March	(2,544)

### Note 4. Housing Repairs Account

The Housing Repairs Account is an earmarked reserve for the financing of reactive and planned maintenance on council houses.

2017/18 £000s		2018/19 £000s
(954)	Balance at 1 April	(1,089)
(3,237)	Contributions during the year	(3,676)
3,102	Repairs and maintenance charged	3,744
(1,089)	Balance at 31 March	(1,021)

### Note 5(i). HRA Capital Expenditure and Financing

The following table provides a summary of total capital expenditure on land, houses and other property within the Council's HRA during the financial year, broken down by sources of funding:

2017/18 £000s		2018/19 £000s
6,451	Council dwellings	4,881
-	Other assets	-
-	Housing Management Systems	-
433	Other expenditure	1,985
<b>6,884</b>	<b>Sub-total</b>	<b>6,866</b>
	Financed by:	
(1,662)	Direct Revenue Finance	(4,148)
-	Government Grant	(270)
-	S.106 Funding	-
(530)	Right to Buy Receipts	(1,102)
(4,692)	Major Repairs Reserve	(1,346)
<b>(6,884)</b>		<b>(6,866)</b>

### Note 5(ii). HRA Capital Receipts

The following table provides a summary of total capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year:

2017/18 £000s		2018/19 £000s
(2,123)	Sales of Council Houses under Right to Buy (RTB)	(1,924)
-	RTB Discounts repaid	(7)
-	Council House Mortgage Principal Repayments	-
<b>(2,123)</b>		<b>(1,931)</b>

### Note 6. Depreciation of Property Plant and Equipment

The following table provides a summary of the charges for depreciation for the land, houses and other property within the Council's HRA:

2017/18 £000s		2018/19 £000s
	Operational Assets	
(2,767)	Dwellings, other land, buildings	(2,934)
(78)	Equipment	(116)
(23)	Non-operational assets	(26)
<b>(2,868)</b>		<b>(3,076)</b>

A full valuation of the stock has to be undertaken every 5 years. The latest one was carried out as at 1 April 2016.

### Note 7. Contribution to/from Pensions Reserve

The HRA share of IAS19 *Employee Benefits* pension adjustments is based on the number of employees charged to the HRA. Also see Note 37 Pension Costs and Note 38 Pensions Reserve.

### Note 8. Tenant Arrears

During 2018/19 rent arrears as a proportion of gross rental income have changed from 6.26% of the amount due to 6.19%. The figures, excluding service charges and debts of up to three weeks are as follows:

2017/18 £000s		2018/19 £000s
676	Arrears of current tenants (not including current weeks)	627
339	Arrears of former tenants	335
1,015	Total tenants' arrears at 31 March	962

During 2018/19 the Housing Management – Tenancy Sustainment team provided tenancy coaching with more than 300 customers, creating an action plan to address arrears issues. Vulnerable customers are identified during the allocations process by the Customer Advice and Support Team and via referrals from Customer Support Assistants and the Revenues team.

### Bad Debts

The total provision for bad debts was £501,700 (as at 31 March 2019.) Amounts actually written off during the year totalled £1,420. 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:

2017/18 £000s		2018/19 £000s
(195)	Balance at 1 April	(478)
(20)	Write off	1
(263)	Provision made in the year	(25)
(478)	Balance as at 31 March	(502)

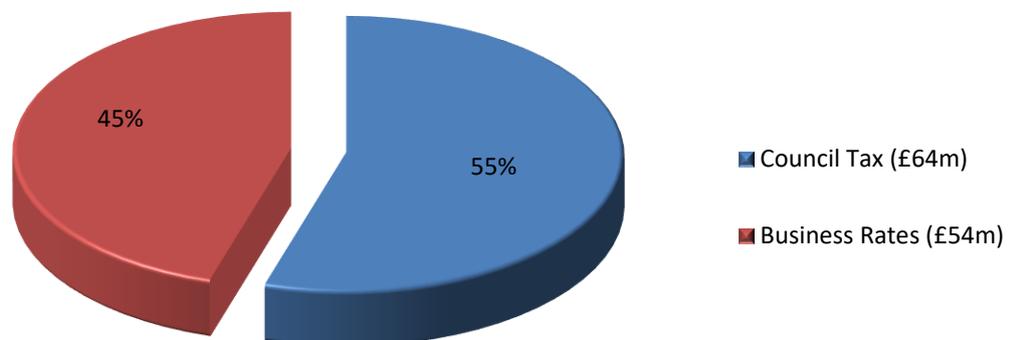
## COLLECTION FUND STATEMENT

As a billing authority the Council acts as an agent collecting council tax and business rates (national non-domestic rates) on behalf of the major preceptors, Central Government and itself.

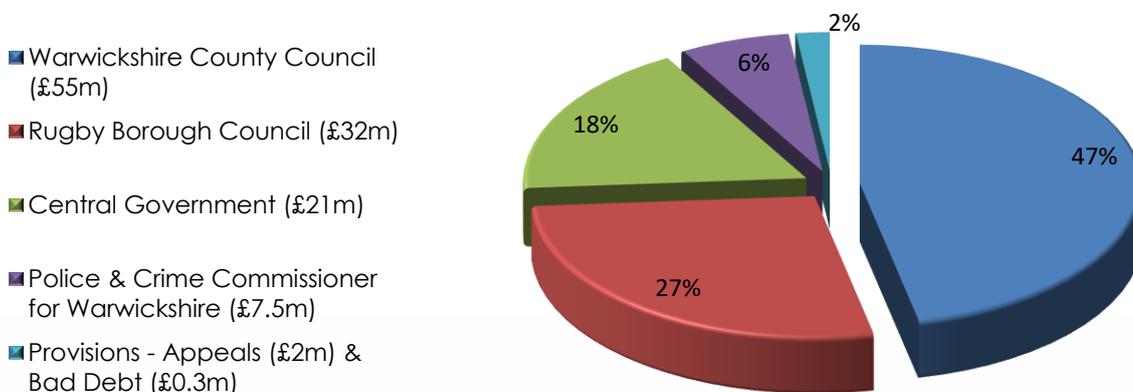
Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted. Transactions and balances in respect of council tax and business rates therefore need to be allocated between the billing authority, major preceptors and Central Government, in accordance with the proportionate shares set out in legislation.

The Council's share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. The difference between the business rate and council tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement.

### 2018/19 Collection Fund Income £118m



### 2018/19 Collection Fund Expenditure £118m



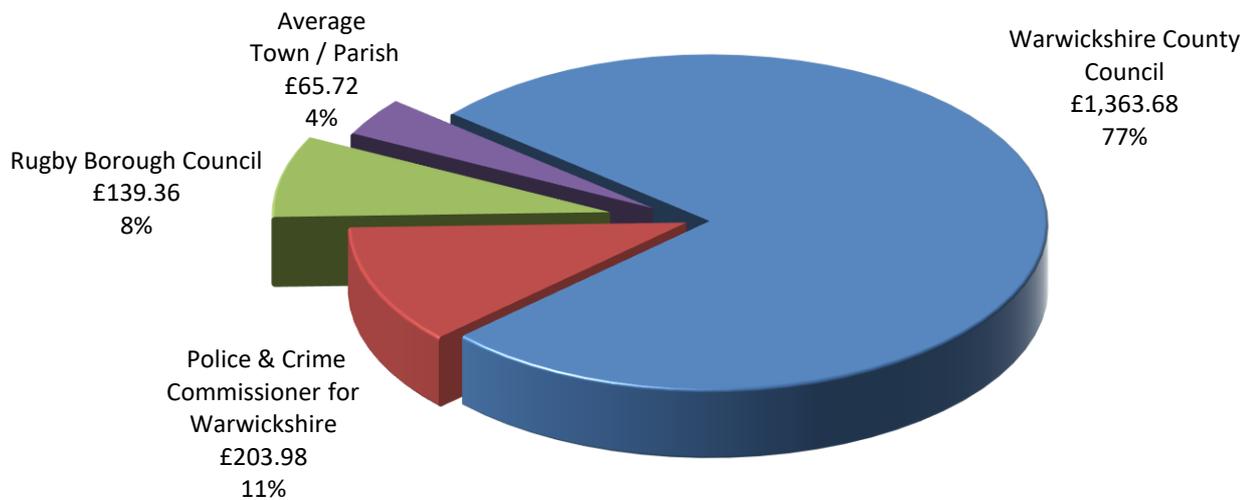
## The Collection Fund Statement

2017/18 Total (Restated) £000s		2018/19 Business Rates £000s	2018/19 Council Tax £000s	2018/19 Total £000s
	<b>INCOME</b>			
(60,748)	Council Tax Receivable	-	(64,771)	(64,771)
(51,677)	Business Rates Receivable	(53,580)	-	(58,580)
-	Transitional Protection Payments Receivable	-	-	-
(112,425)		(53,580)	(64,771)	(118,351)
	<b>Contribution to Previous Year Estimated Deficit</b>			
-	Central Government	(249)	-	(249)
-	Warwickshire County Council	(50)	-	(50)
-	Rugby Borough Council	(199)	-	(199)
-	Police and Crime Commissioner for Warwickshire	-	-	-
-		(498)	-	(498)
(112,425)	Total Income	(54,078)	(64,771)	(118,849)
	<b>EXPENDITURE</b>			
2,306	Transitional Protection Payments	1,478	-	1,478
	<b>Distribution of Previous Year Estimated Surplus</b>			
301	Central Government	-	-	-
802	Warwickshire County Council	-	570	570
356	Rugby Borough Council	-	88	88
114	Police and Crime Commissioner for Warwickshire	-	84	84
1,573		-	742	742
	<b>Precepts, Demands and Shares</b>			
22,594	Central Government	24,382	-	24,382
50,500	Warwickshire County Council	4,876	49,462	54,338
25,138	Rugby Borough Council	19,506	7,438	26,944
6,796	Police and Crime Commissioner for Warwickshire	-	7,399	7,399
105,028		48,764	64,299	113,063
	<b>Charges to Collection Fund</b>			
310	Less: Increase / (Decrease) in Bad Debt Provision	121	207	328
6,882	Less: Increase / (Decrease) in Provision for Appeals	4,075	-	4,075
(732)	Appeals and List Alterations	(2,114)	-	(2,114)
136	Cost of Collection Allowance	136	-	136
6,596		2,218	207	2,425
115,503	Total Expenditure	52,460	65,248	117,708
	<b>Movement on Fund</b>			
3,078	(Surplus)/ Deficit arising during the year	(1,618)	477	(1,141)
(1,046)	(Surplus)/ Deficit arising at 1 April	2,638	(606)	2,032
(2,032)	(Surplus)/ Deficit arising at 31 March	1,020	(129)	891

## Notes to the Collection Fund 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, the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the band D council tax figure of **£1,772.74** for 2018/19.



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 in the following table.

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	8.09	5/9	4.49
A	5,632.53	6/9	3,755.02
B	8,842.61	7/9	6,877.59
C	9,348.53	8/9	8,309.81
D	5,779.14	9/9	5,779.14
E	4,316.50	11/9	5,275.72
F	2,728.49	13/9	3,941.15
G	1,544.97	15/9	2,574.95
H	68.19	18/9	136.38
			36,654.25
		Less allowance for non-collection	(513.18)
		Contributions in lieu (MOD properties)	130.10
		<b>COUNCIL TAX BASE 2018/19</b>	<b>36,271.17</b>

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

The tax base multiplied by the average band D council tax of £1,772.74 provided an original estimate of income of £64.299m for 2018/19. The actual income for 2018/19 was £64.771m thus exceeding expectations by 0.73%

### Note 2. Business Rates (National Non-Domestic Rates)

The business rates retention scheme provides for non-domestic rates collected by a billing authority to be shared between it, its major precepting authority and central Government.

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a national rate. The total rateable value for the Rugby Borough area was £126.351m at 31 March 2019 (£117.889m in 2017/18). The non-domestic rating multiplier for 2018/19 was 49.3p (47.9p in 2017/18) and the small business non-domestic rating multiplier was 48.0p (46.6p in 2017/18).

### Note 3. Collection Fund Balance Apportionment

The net deficit on the Collection Fund as at 31 March 2019 of £0.891m will be split between the authorities and recovered in 2020/21 in the following proportions:

Total 2017/18 £000s		Council Tax 2018/19 £000s	Business Rates 2018/19 £000s	Total 2018/19 £000s
1,319	Central Government	-	510	510
(201)	Warwickshire County Council	(99)	102	3
(69)	Police and Crime Commissioner for Warwickshire	(15)	-	(15)
983	Rugby Borough Council	(15)	408	393
2,032		(129)	1,020	891

The Balance Sheet as at 31 March 2019 will include a net creditor/debtor for each of the precepting authorities' share of the Collection Fund surplus/deficit.

The Council's share of the net deficit on the Collection Fund of £0.393m is recognised in the Comprehensive Income and Expenditure Statement in 2018/19, but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

### Collection Fund Adjustment Account

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

Total 2017/18 £000s		Council Tax 2018/19 £000s	Business Rates 2018/19 £000s	Total 2018/19 £000s
(183)	Balance at 1 April	(72)	1,055	983
1,166	Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements.	57	(647)	(590)
983	Balance at 31 March	(15)	408	393

### Coventry and Warwickshire Business Rates Pool

The Council has been part of the Coventry and Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool since 2013/14 has resulted in an accumulated Safety Net Reserve Balance of £4.027 million of which our share is £1.254m. This would be allocated to pool members under the agreed proportions set out in the Memorandum of Understanding upon closure of the Pool.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY BOROUGH COUNCIL

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Rugby Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Accounting Statements (which include the Expenditure and Funding Analysis Note), including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, the Notes to the Housing Revenue Account, the Collection Fund Statement and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Corporate Resources and Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Corporate Resources and Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Head of Corporate Resources and Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts Rugby Borough Council 2018/19 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts Rugby Borough Council 2018/19, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Head of Corporate Resources and Chief Financial Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 44, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Corporate Resources and Chief Financial Officer. The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Statement of Accounts Rugby Borough Council 2018/19, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Corporate Resources and Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



### **Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements – Certificate**

We certify that we have completed the audit of the financial statements of Rugby Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

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

Grant Patterson  
Grant Patterson, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Birmingham  
31 July 2019



# ANNUAL GOVERNANCE STATEMENT

2018-19

**PROUD OF OUR PAST, FIT FOR THE FUTURE**

## Annual Governance Statement 2018/19

### **1. SCOPE OF RESPONSIBILITY**

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's annual governance statement for 2018/19.

### **2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?**

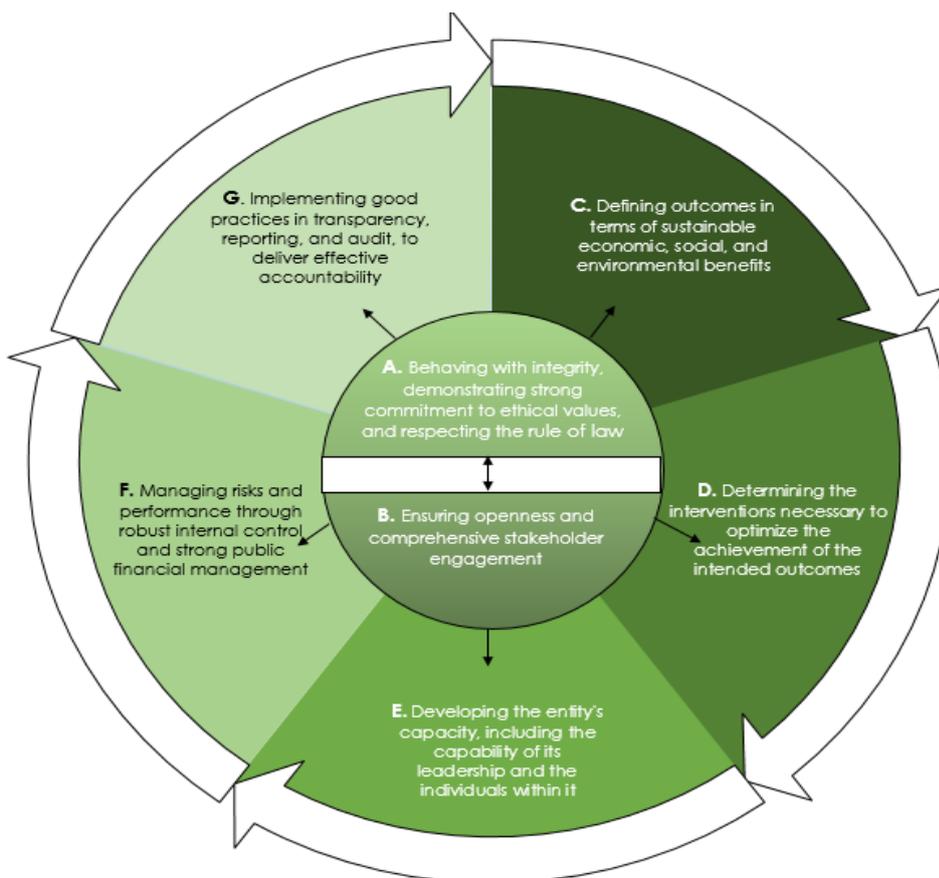
- 2.1 The Council's governance arrangements are overseen by the Audit and Ethics Committee. The Executive Director has overall responsibility for ensuring that effective controls and processes are implemented across the Council and these are regularly reviewed and updated. Regular reports are submitted to the Audit and Ethics Committee highlighting any identified enhancements. The Head of Corporate Resources and Chief Finance Officer (s151 Officer) is responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and for reviewing the overall effectiveness of the governance framework. The overview and co-ordination of this process is undertaken by the Corporate Assurance and Improvement Manager.

### **3. WHAT THIS STATEMENT TELLS YOU**

- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year, how effective that framework has been in enabling the Council to achieve its intended outcomes, and to identify any improvements made and any weaknesses or gaps in arrangements that need to be addressed. Its main aim is to provide the reader with confidence that the Council is managed effectively and efficiently; that services are delivered in accordance with current legislation, the corporate strategy and in a way that optimises value for money.

## 4. THE PRINCIPLES OF GOOD GOVERNANCE

- 4.1 The principles of good governance are set out in the CIPFA Framework for Delivering Good Governance in Local Government 2016. The framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. This statement explains how the Council has complied with the framework and also meets the requirements of the Accounts and Audit Regulations 2015 (England).
- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram below, taken from the International Framework for Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.



*Principles A and B permeate implementation of principles C to G*

## 5. THE GOVERNANCE FRAMEWORK

- 5.1 The governance framework comprises the policies, plans, systems, processes, culture and values (the system of 'internal control') that the Council has in place to ensure its intended outcomes for stakeholders and the community are defined and delivered. To deliver good governance objectives must be achieved whilst also acting in the public interest. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 5.2 The governance arrangements are designed to ensure that an appropriate and proportionate approach is taken to managing risk whilst ensuring that objectives are achieved. The governance framework has been in place for the year to the date of approval of this annual governance statement. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance of effectiveness.
- 5.3 The governance framework and an assessment of its effectiveness are set out on the following pages.

**PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

**Arrangements in place**

- Member and officer codes of conduct
- Confidential Reporting Code
- Counter Fraud, Bribery and Corruption Strategy
- Fraud Response Plan
- Contract Standing Orders
- Declaration of interests procedure
- Register of interests
- Register of gifts and hospitality
- Customer feedback and complaints procedure
- Equalities and Diversity policy statement
- Register of Equality Impact Assessments
- Information security policies, senior information risk owner in post (SIRO) and Information Governance Group in place.
- Corporate values in place which all employees are expected to act in accordance with
- Recruitment/ selection procedures aligned with corporate values
- A standard format is in place for 1 to 1 meetings between managers and staff, designed to ensure that the corporate values are embedded and adhered to
- The Council participates in the National Fraud Initiative
- Delivery of fraud and corruption awareness training
- Internal audit plan coverage has been extended to include governance and ethics related audits, in line with the Public Sector Internal Audit Standards. Any planning applications submitted by staff are reviewed in public
- Agenda management sheets of Council reports include a requirement to highlight the legal implications of decisions
- Records of regulatory training required and undertaken are retained on the Council's HR system
- There is a Warwickshire independent persons panel in place which is available for consultation regarding any conduct related complaints. The group provides advice to the Council on the appropriate course of action to take to address such complaints.
- The Council has implemented plans to ensure compliance with the requirements of the Homelessness Reduction Act 2018.

### **Effectiveness and future developments**

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. Furthermore, dedicated time is set aside within the internal audit work plan to ensure that resources are available to thoroughly investigate any allegations and to enable proactive risk based testing to be conducted during the year. Counter Fraud, Bribery and corruption awareness training has been delivered to all managers and training is being delivered to individual teams on a rolling basis; 4 teams were provided with training during 2018/19. Awareness training was also delivered to Members in July 2018. The Council has implemented a new cloud-based system of meta compliance and in June 2019 all employees will be asked to confirm that they have read and understood the Fraud Response Plan; a questionnaire will be included to confirm employees' understanding. A further review of fraud risks and mitigating controls across all Council departments was also completed in 2018/19; this resulted in a Substantial level of assurance and delivery of recommended actions is being monitored by the Corporate Assurance and Improvement team. **See Action 1.**

A framework of corporate values and behaviours was implemented in early 2017/18. There is a high commitment to embedding the values across the organisation. A behaviours document was issued to all officers with a covering letter and compliance is mandatory. There are five core corporate values: **C**ustomer First, **A**ct With Respect, **N**urture People, **D**rive Excellence, and **O**wn It, (CANDO). In line with the values all members of staff are expected to have regular one to one meetings with their line manager at which success is recognised and any concerns regarding conduct are also raised. Such meetings are expected to take place on a monthly basis unless agreed by exception with the relevant head of service. This process also ensures that staff development needs are considered on a rolling basis rather than once or twice per year. Customer Care training is mandatory for all staff in accordance with the Council's value of putting "customers first". An internal audit review was completed in April 2018 which assessed the extent to which the values framework was embedded across the Council. The review concluded that the overall level of maturity of the framework was "Defined". A further internal audit review will be completed in 2019/20 which will consider and report on the progress made and the direction of travel.

Rolling licensing committee training has been provided to members leading to a clearer evaluation of prosecution cases. The Council has invested in the provision of enhanced regulatory training to planning committee members leading to a greater awareness and understanding when making decisions, and a reduction in appeals.

Senior management has taken steps during the year to ensure that positive feedback and successes are celebrated and recognised. Recognising success is built in to the one to one process and notable successes are celebrated at employee briefing sessions and at the Corporate Management Forum. An 'Employee of the Quarter' initiative has recently been launched which allows managers to nominate colleagues who have excelled. One person is selected from the list of nominees each month and awarded a prize.

The Council's information security procedures are comprehensive. New Data Protection legislation took effect in May 2018. Steps were taken to prepare the Council for implementation of the new regulations. These steps include the roll out of eLearning training to officers and completing data reviews across the organisation. All officers were required to confirm in 2018 that they had read and understood the

Information Security policy. Information asset owners, who are mostly managers and team leaders, have completed personal data audits covering their areas of responsibility. Together, these comprise the Council's register of processing activity (ROPA), and each processing activity has been assigned one of the six lawful bases of processing identified in the General Data Protection Regulations (GDPR). An Information Governance Group has been formed comprising the Head of Communities and Homes (CIO – Chief Information Officer and Senior Information Risk Owner – SIRO), the Communication Consultation and Information Manager (Data Protection Officer), the Corporate ICT Manager and the Corporate Assurance and Improvement Manager. Personal data breaches and near misses are reported to the communications, consultation and information team for triage, and are then referred to the Information Governance Group. The Group decides on what further action to take, which may include making a statutory report to the Information Commissioner.

An internal audit review of data protection governance confirmed the operation of the above arrangements. However, the audit also confirmed a number of significant gaps in the control framework. Notably, there is no formal information governance framework, no terms of reference for the Information Management Steering Group, no action plan to monitor and enforce data protection improvements, and no clear desk policy in place. The Information Governance Group has agreed that further steps will be prioritised in 2019/20 to develop an Information Governance framework for the Council and implement the action plan arising from an internal audit review of Data Protection Governance. The group will also report periodically to the Senior Management Team on its activities and any significant issues and emerging risks. **See Action 2.**

The Council is moving towards an increasingly agile workforce, with technological developments enabling more employees to work remotely and/ or at home. Whilst there are codes of conduct in place for members and officers, the IT Code of Conduct requires updating to reflect the increasing number of agile workers. Furthermore, the Council will develop and implement an agile working policy to ensure there is a consistent framework in place for all staff. Management of such working practices will also be incorporated. **See Action 3.**

## **PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

### **Arrangements in place**

- The Council publishes a range of information including meeting agendas and reports, financial and procurement data, invitations to tender, senior officer salaries, the contracts register, annual governance statement and financial statements, corporate performance information, planning applications and decisions and section 106 agreements.
- Records are retained detailing any decisions taken by officers using their delegated authority, including the rationale.
- The strategic risk register is scrutinised by the Audit and Ethics Committee with open reporting to Cabinet. At the time of writing the register is being refreshed.
- The Council consults widely and comprehensively with stakeholders on its proposals. Wider engagement takes place via the West Midlands Combined Authority and the Local Enterprise Partnership.
- There is a Scrutiny Committee work programme in place, with members of the public invited to recommend topics and attend annual work planning meetings.
- A Forward Plan is in place setting out what consultation will be undertaken in advance of decisions being made, and with whom.
- The Council holds an Equality and Diversity "excellent" accreditation and Equality Impact Assessments (EIA's) are completed for Council decisions. A register of EIA's is in place and kept up to date.
- A communications strategy is in place.
- Customer feedback procedures are in place.
- Active engagement with employees takes place in a number of ways including through a bi-annual survey, regular employee briefings, core briefs, and the corporate management forum and through the Joint Union Consultation Forum.
- Employment policies are developed in consultation with staff and trade unions.
- Cross party working parties are operated as an additional measure which ensures engagement with all members on key Council decisions.

### **Effectiveness and future developments**

Equality and diversity training is mandatory for all staff and Equality Impact Assessments are a key element of the Council's decision making. A revised template for completing the assessments has been put in place and all managers received training in 2018/19 to ensure that the assessments are carried out in a consistent manner. In 2018/19 the Council commissioned Warwickshire Pride to conduct a survey on the experiences of the Rugby borough LGBT+ community. The results indicated that the LGBT+ community does not feel comfortable that Rugby is a friendly place for them. The results of the survey have been analysed and an action plan has been developed jointly with Warwickshire Pride, the police and the county council. Furthermore, Warwickshire Pride will be delivering mandatory LGBT+ training to all Council employees and Councillors during 2019/20. **See Action 4.**

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, the website, surveys, and face to face. There is a contract with language line to support any face to face communication issues and the Council



accesses the Warwickshire County Council interpretation and translation service to translate written documents. The Council is a partner of Warwickshire Observatory, which provides information and intelligence about Warwickshire and its people. The information provided was used to inform the Council's vision for Rugby Town Centre and to inform the development of the Corporate Strategy for 2017-20. The information is also used by staff when completing Equality Impact Assessments, which helps to ensure that decisions are taken after due consideration of the potential impacts across the community.

In 2017/18 residents were consulted on a final draft of the Local Plan for a 12-week period; this was double the required length of time. The consultation generated over 6,000 submissions in relation to the development proposals. This fed in to the public examination of the Local Plan and the Council summarised and responded to every submission. During 2018/19 work has progressed on supplementary planning documents following the Local Plan hearings, and on 27<sup>th</sup> March 2019 an independent planning inspector gave the Council approval to adopt the Plan.

In 2018/9 the Council successfully completed the decant of 124 properties in two high rise blocks of flats at Biart Place. The decision was made to decant the properties in April 2018. The decant was due to be fully complete by 31 March 2019 but was completed over three months ahead of schedule on Fri 21<sup>st</sup> Dec 2018. The successful operation was attributed to effective communication, knowing the Council's tenants and understanding what they needed; this resulted in low levels of resistance. Individual one to one consultations were carried out, putting customers and their needs front and centre to ensure suitable housing was sought. Project planning was robust and effective – working closely with the Council's registered provider partners and the private sector. Flexibility was applied by the Council to offer additional support to tenants where it was needed. All qualifying households were successfully relocated and appropriately compensated. Further engagement events are planned for wider residents in the area to consult on the future of the site/ development.

A consultation exercise was undertaken with stakeholders to shape the development of the new Brownsover Medical and Community Centre. Feedback and community aspirations were identified in a meeting with the local community and ward members. This formed part of the process for consultation for development of the wider site including medical provision. A further meeting was held to discuss the plans in more detail; this meeting included the Brownsover Community Association. Feedback from this meeting informed the specification for the new facility. An expression of interest was advertised and Cabinet approved entering a lease arrangement with Brownsover Community Association. The completed property was handed over to the Council in December 2018. The centre is expected to be fully open by the end of Spring 2019. Quarterly monitoring meetings are in place with the Brownsover Community Association to ensure the facility is used to support the wider community.

The Council undertook a consultation exercise on its Public Space Protection Orders during 2018/19. This involved working with Scrutiny, which identified four areas of focus – dog fouling, anti-social behavior at Newbold Quarry, intoxicating substances and cycling in the town centre. A broader geographical area was adopted for intoxicating substances, and new dog fouling measures have been adopted including the provision of dog waste bags.

As noted above, when an officer exercises their delegated authority as permitted in the Council's Constitution, these decisions are recorded in writing. The rationale for such decisions is also recorded and

the records are retained. The Council has decided that such decisions will in future be published; this will be implemented with effect from September 2019. **See Action 5.**

During 2018/19 the Council commissioned an external company to undertake a review of the customer experience at the Rugby Art Gallery and Museum (RAGM). The review followed the customer journey and included the Visitor Centre. Staff were fully involved and the Council worked closely with the library. Following the review a detailed report was circulated with recommendations. There has been an increase in customer meet and greets and a new customer charter has been developed, which will be launched early in 2019/20.

The Council has a tenant panel in place but plans to enhance and improve this by developing an engagement strategy to support and enable tenants to live independent lives. The new strategy will link with the Housing Strategy and financial inclusion strategy. **See Action 6.**

Collaborative and joint working across Council teams has enabled a faster and more effective response to gypsy and traveller encampments. Early contact is made; welfare needs assessments are carried out, a Code of Respect, waste disposal bags and advice on portable water supplies are provided. The Council works with the occupants, building a rapport and negotiating an exit with formal eviction being the last resort.

Whilst the Council has an embedded customer feedback procedure in place, an internal audit review has been scheduled for 2019/20 which will consider its effectiveness and how services measure customer satisfaction more widely outside of the formal system. The review will also consider the mechanism for capturing and communicating this data, and how effectively the results are used to drive improvements in Council services. The audit and resulting action plan will be reported back to the Council's Operational Manager Group chaired by the Head of Communities and Homes. **See Action 7.**

## **PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

### **Arrangements in place**

- Approved Corporate Strategy in place covering the period 2017-2020, and which was subject to a public consultation exercise.
- Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration presented to Cabinet in February 2019.
- Cabinet and Committee reports set out the potential impacts of changes on stakeholders.
- Strategic and operational risk registers are in place, and a register of corporate risks has been drafted for approval in 2019.
- A "clean" Value for Money opinion was received from the external auditors in 2018.
- As part of plans to ensure the Council is fit for the future, decisions are taken for the long term including the implementation of green waste charges, digitalisation of services and internal processes, a forward plan for the Rugby Art Gallery and Museum, and through the commercialisation agenda.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a clear vision for Rugby Town Centre including an action plan and marketing plan.
- All planning and development decisions are considered openly and transparently in terms of their economic, social and environmental benefits and impacts.

### **Effectiveness and future developments**

The Council has reviewed the arrangements in place to support the independent living service during the year. Extensive face to face consultations have taken place and customers were encouraged to fill in a questionnaire. Some 32 coffee mornings were held with sheltered housing tenants to help them determine how they can live their lives more independently. The findings of the review are in the process of being analysed and evaluated, following which the next steps will be determined. Furthermore, a Warwickshire wide homelessness strategy is in development and the Council's new Allocations Policy has an element of financial inclusion built in. Where customers have prior arrears and they can show that either a sustained repayment plan is in place, or in the case of applicants in receipt of universal credit that the property related debt not subject to a repayment arrangement is no more than two months' rent, then the Council will support their housing needs. This is in line with the Council's health and wellbeing agenda, enabling people who are inevitably the least well off to access sustainable housing whilst ensuring that the Council discharges its statutory homelessness duties.

The RAGM/ Hall of Fame education programme has been expanded and provides facilitated education sessions at the Roman Gallery, Art Gallery and Hall of Fame for primary school Key Stage 2 pupils. In addition, the RAGM runs a programme for persons suffering with dementia and autism, which enables individuals to develop and utilise their skills, for example by doing craft activities, in a relaxed environment which also provides a form of social therapy.

The Family Weight Management programme 'Changemakers' was awarded project funding of £145,000 for its 4th year, to continue delivering 9 week family lifestyle courses across the Warwickshire county. The team has continued to achieve its programme targets and provide successful outcomes for children and families. The On Track social inclusion programme has continued to develop links and relationships with Rugby's youth community. Continuation funding has been secured via Orbit Housing Association, National



Lottery 'Awards for All' enabling youth provision in the priority wards of Brownsover and Overlade to be delivered. The Rugby Sports Awards was once again delivered by Rugby Borough Council's Sports Development team attracting sponsorship from GLL Sports Foundation, Nationwide Windows and Hinckley and Rugby Building Society. The annual event attracted a large volume of nominations celebrating sport and physical activity achievements by Rugby borough community sports clubs and its participants.

The Council has worked with the local community to make improvements to the Whitehall Recreation Ground. External funding was secured and added to the Council's own capital programme, and the improvements were undertaken in a phased approach in line with the available funding. As part of the first phase the Council undertook a further round of consultation with the local community to update the original masterplan developed in 2012. Stakeholder suggestions were then fed in to a final, more detailed design stage consultation to ensure the refurbished park met the needs of those that use or want to use it. The consultation was promoted both physically on site and also on the Council website and social media platforms, to ensure a cross section of responses were received from the community. The redevelopment has now been successfully completed.

The Council launched the Rugby Lotto in February 2019, to support the community and voluntary sector and specific organisations that the community values. The Lotto will enable increased funding for community based projects whilst ensuring that the community has a direct stake in determining which projects and activities will be supported. The first draw is scheduled for early May 2019 and 23 good causes have been approved as benefactors. At the time of writing 600 tickets had been sold and over 300 people had signed up to the Lotto via direct debit. Annual ticket sales for 2019/20 are currently projected to be £33,992, which would generate £18,500 for local good causes. These figures are expected to increase, and the annual sales and contributions to good causes are already expected to be higher than those projected for the first year. The Lotto is currently being promoted via social media and by the good causes themselves, and the Council is hoping to approve more good causes in the near future.

The Benefits team was merged with the Housing Options team (CAST – Community Advice and Support Team) in 2018 and this decision was driven by the outcomes that joined up service delivery can bring to customers, particularly in relation to financial inclusion and homelessness prevention. An internal review is currently in progress to ensure the efficiency and effectiveness of the joined up service delivery are maximised.

The Council has reviewed its grass cutting provision during 2018/19. Some areas of grass are now cut less frequently to enable wildlife to flourish. These urban meadows saw new species of plants, moths, butterflies and dragonflies on sites for the first time, and now the Council is to create further urban meadows in other areas of the town. An interim survey at one of the trial sites found the following species already becoming established: Meadow Vetchling, Tares, Sow-thistles, Prickly Lettuce, Meadow-sweet, Greater Burnet, Common Knapweed, Small Skipper, Marbled White, Burnet Moth, Meadow Browns, Ringlets, and the Hawker dragonfly.

The Council recognizes that volunteers make a significant and valuable contribution to its services. In 2018/19 some 11,727 hours of volunteering were facilitated on the borough's parks and green spaces, an increase of over 10% on the previous year. Volunteers undertook a range of tasks ranging from habitat management work to assisting at events. The Council's work with community organisations ranges from the well-established groups such as the Hillmorton Village Green volunteers and the Rugby group of the Warwickshire Wildlife Trust, to newly formed groups such as the Friends of Bluebell Wood, Friends of Newton



Cutting and the Friends of Rugby East. The Council has also secured £18,643 of government grant funding to enable it to make the town centre a clean and tidy place which attracts people, and has joined the Great British Spring Clean for a third consecutive year, supported by hundreds of volunteers.

A programme of successful exhibitions at the RAGM attracted over 10,000 visitors in 2018/19, including the Peter Rabbit Mischief and Mayhem exhibition which launched in January 2019. The exhibitions were supported by local businesses and a town trail was created with links to town centre shops, increasing footfall. As part of a dedicated marketing plan for the Hall of Fame, a successful meet the speaker event was held with Sir Clive Woodward, with funds being used to support the education programme. The event was fully subscribed and further meet the speaker events are planned for 2019/20. The Council also collaborated with Rugby School to launch the Rugby Pass, which enables visitors to tour the Hall of Fame, the Rugby School and receive discounts at various local businesses all for one price.

The Council has drawn up a draft masterplan for a revamp of St Andrew's Gardens in Rugby town centre; this includes extensive landscaping of the gardens, removing dense shrubbery and replacing it with seasonal and woodland bulbs, meadow grass and flowering lawns. The aim is to make the gardens a welcoming space where residents can relax in quiet surroundings away from the hustle and bustle of the town centre, but in a way which remains respectful of the site's history as a churchyard. Residents are being invited to take part in a consultation on the draft proposals.

## **PRINCIPLE D: Determining the interventions necessary to optimise the achievement of intended outcomes**

### **Arrangements in place**

- The Council manages performance through published local and management performance indicators; this enables intervention to be targeted where it is needed.
- The service planning process is designed to ensure that the Council targets the actions necessary to deliver the Corporate Strategy.
- The corporate performance management system (RPMS) is used to monitor the delivery of action plans.
- There are four distinct service areas with a Head of Service and dedicated member portfolio holder for each area.
- Committee and Cabinet reports set out the risks and options associated with decisions.
- A "clean" Value for Money opinion was received from the external auditors in 2018 and the Contract Standing Orders and financial instructions are designed to ensure best value.
- Quarterly finance and performance reports are submitted to and reviewed by Cabinet.
- An annual budget report is submitted and there is an established budget setting and monitoring process.
- The Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration endorsed by Cabinet in February 2019.
- A new Asset Management Strategy was approved in April 2018.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a Forward Plan of key decisions and scrutiny committee arrangements in place.
- A customer feedback procedure is in place.
- Key corporate projects, for example digitalisation, the housing management system, and the corporate asset management system, have governance boards in place to provide oversight and ensure effective delivery.

### **Effectiveness and future developments**

As part of the corporate strategy the Council has continued to facilitate investment and growth in Rugby. This is evidenced by progress in developing the site of the old Rugby Radio Station. The new community development at the old Rugby Radio station now has approximately 140 people living there, the first school has been built and a major link road is almost complete, linking the site to the town centre. Building work has also begun on the secondary school. The Council is also working in partnership with Warwickshire County Council to develop a sustainable transport plan for the Borough, including where interventions could be made to expand road capacity in Rugby.

Route optimisation software is being implemented for refuse services; this will ensure that refuse rounds are completed in a more efficient manner requiring fewer rounds to be completed. The software will result in an improved customer experience as reports of missed bins will be addressed more quickly. It is expected that significant financial savings will also be realised, helping to ensure that the Council has the funds available to achieve the corporate strategy outcomes. Optimisation of domestic and trade waste and recycling routes is expected to be implemented in 2019/20.

A new Asset Management Strategy was approved in April 2018 to facilitate delivery of the Corporate Strategy priority of "optimising the use of our land and assets". A new Corporate Asset Management System is being implemented to enable better management and utilisation of the Council's assets. The strategy sets out the high level integrated vision of the Council's approach to all its property assets both in terms of operational land and buildings, and affordable housing and land. There are five key principles set out in the strategy:

- Acquire or develop homes to meet the housing service strategy and customer needs;
- Dispose of small and difficult parcels of land to free up cash and staff resources;
- Ensure statutory, health and safety and disability compliance of all Council built environment assets;
- Ensure efficient and effective space, energy usage, and sustainability within the Council's built assets to maximise value; and
- Efficient and effective asset management systems and internal communication procedures.

The Council led the bid to Central Government to set up and run a Warwickshire wide pilot service to prevent homelessness at an early stage. This way of working was new and untested in a Local Authority environment. PHIL (Preventing Homelessness Improving Lives) has now completed 50 preventions, compared with 16 by the end of last year. This has been achieved through setting up an enhanced partnership working approach including receiving referrals from partnership agencies, sending out regular correspondence to partners through a newsletter, having a social media presence, facilitating an online housing options self-assessment tool and presenting at strategic meetings. The project has just been extended until December 2020 and is governed by the Warwickshire Heads of Housing Board (WHOH).

A service level agreement is in place with Warwickshire County Council to support new business start ups in the Borough. Funding has for the last 3 years enabled businesses to be provided with financial support for their first 12 months and the Council is currently bidding for funding to enable this to continue for a further 3 years. The Council has also continued to support the Business Improvement District by providing match funding for town centre events including the Food Festival, Bike Fest, Christmas Lights Switch On and the Festival of Culture.

A series of business cases and reports have been prepared for garage sites to enable much needed new homes to be built on brownfield sites, enhance neighbourhoods, and help reduce antisocial behaviour. During 2019/20 these business cases will be progressed further resulting in a redevelopment programme.

**PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**Arrangements in place**

- Each member of the senior management team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The senior management team meets formally every two weeks and informally every week and Cabinet meets on a regular basis.
- Section 151 Officer (Chief Finance), Monitoring Officer, and Senior Information Risk Owner (SIRO/ CIO – Chief Information Officer) are in post.
- The Constitution, which was revised and updated in December 2017, sets out roles and responsibilities and the Council's decision making process. An approved scheme of delegation is in place. Contract Standing Orders and associated toolkits are in place and are designed to ensure procurement activity is cost effective and ethical.
- Registers of gifts, hospitality and conflicts of interest in place.
- Updated protocol in place setting out the relationship between and roles of members and officers.
- Member training and development programme in place (and currently under review), including dedicated training for planning and licensing committee members.
- New HR Strategy approved in April 2018.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- Job profiles clearly set out the responsibilities of officers throughout the organisation.
- Learning and Development Strategy and Corporate Learning Group in place.
- There is a system of regular team meetings and one to one meetings between managers and staff.
- Employee health and wellbeing days are arranged and confidential employee counselling support is available at all times.
- A comprehensive suite of training and development courses is offered to all employees.
- All managers are expected to complete the "Way We Manage" training programme.
- Corporate Management Forum in place, where managers work together to review what has gone well and where the Council can do better.
- The Council has a comprehensive suite of HR policies covering employee capability, disciplinary, recruitment and selection, disciplinary and grievance, and flexible working.
- An established Corporate Apprenticeship Scheme in place.
- Where projects are required, teams are put in place based upon the skills and experience available.
- The Council develops the capacity of community and voluntary groups to become more self sufficient.
- The Council participates in the Local Authority Challenge.

### **Effectiveness and future developments**

The Council has a Corporate Apprenticeship scheme and there have been 47 apprentices since the scheme started in 2011. The apprentices provide a range of valuable support to various Council services whilst undergoing a structured programme of self-development and qualifications.

Over 100 managers have completed the Council's "Way We Manage" corporate training programme. This is a significant investment in the workforce. The training includes governance issues such as financial management, performance management, health and safety and procurement procedures.

A new HR Strategy was approved in April 2018 and is aligned with the corporate strategy and values and behaviours framework. There are six key principles set out within the strategy:

- Attract and retain a "CANDO" workforce;
- Develop leadership;
- Build workforce skills and capability;
- Nurture employee engagement and wellbeing;
- Continuous review of terms and conditions and remuneration; and
- Provide an excellent HR service.

A consistent format is in place for one to one meetings between managers and staff. A standard formal agenda is in use which enables staff development needs to be identified and addressed throughout the year rather than at six monthly intervals. Furthermore, the training material is aligned to corporate values. The content of the "Way We Manage" training programme is being reviewed to ensure it enables managers to have the right skills to drive excellence. The management training programme has been extended to include a formal management qualification. The Council has also introduced a new programme – The Way We Work – for new employees to ensure they have all the information about the Council and the skills set to offer excellent services to customers.

The Corporate Learning Group meets bi-monthly and includes portfolio representatives who agree jointly on the approach to learning and development activity.

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. This included the provision of investigative training to five additional managers, which has improved the resilience of the fraud investigation function. Counter Fraud, Bribery and corruption awareness training was delivered to all managers in March 2018, members in July 2018, and a rolling programme of training for individual teams is in place.

The Council is actively engaged in the Coventry and Warwickshire year of wellbeing 2019 and has implemented an employee forum and appointed mental health first aiders. These people have been trained in how to spot the signs and symptoms of mental ill health and provide help on a first aid basis. In the same way as learning physical first aid, Mental Health First Aiders know how to recognise those crucial warning signs of mental ill health and feel confident to guide someone to appropriate support. Embedding this initiative within the Council will encourage people to talk more freely about mental health, reducing stigma and creating a more positive culture. The Council is also participating in the "Thrive at Work" West Midlands Combined Authority initiative and is aiming initially to achieve a Bronze accreditation against the framework.

As indicated above, the member training programme is currently being reviewed to ensure there is effective engagement and that members are developed to fulfil their roles as effectively as possible. The revised training programme will focus on the key governance areas and is expected to be in place by the end of 2019. **See Action 8.**

## **PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management**

### **Arrangements in place**

- The Council has a risk management strategy in place which was reviewed and updated in February 2019. Strategic and operational risk registers are in place; the strategic risk register is currently undergoing review. Senior management, Audit and Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health and Safety Members Working Party, all oversee the risk management arrangements.
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified, and potential financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- A new Medium Term Financial Strategy was approved in April 2018 and an updated Medium Term Financial Plan was presented to Cabinet in February 2019.
- Financial information is published on a regular basis and established and embedded budget setting and monitoring procedures are in place.
- Cabinet and Committee system in place including two scrutiny committees and an Audit and Ethics Committee with independent Chair and Vice Chairs.
- Training is provided annually to all members of the Audit and Ethics Committee to ensure that they are suitably skilled to carry out their role effectively.
- Counter fraud strategy, fraud response plan and confidential reporting code in place.
- The internal audit service provides an independent and objective annual report and opinion.
- Service planning and Key Performance Indicators (KPIs) have been developed in line with the Corporate Strategy.
- A corporate system is used to monitor, manage and report performance and conduct verification checks on the quality of our data. Performance data is reported quarterly to Cabinet and is reviewed by a scrutiny committee.
- Data sharing protocols are in place where applicable.

### **Effectiveness and future developments**

The annual report of the Corporate Assurance and Improvement Manager provides a Substantial level of assurance that the Council has an adequate and effective control environment in place. The Internal Audit Service uses Risk Based Internal Auditing (RBIA), which is recognised as best practice. The work of internal audit is aligned closely with the aims and risk profile of the Council and the service is responsive to emerging issues and risks.

A full review and update of corporate performance indicators was completed during the final quarter of the year to ensure that measures are relevant to the needs and objectives of the organisation, and in line with the Corporate Strategy. A programme of data quality reviews has also been instigated to provide assurance that published data is accurate, timely and complete. This programme of work will be expanded in 2019/20, to provide assurance across a range of services that effective performance management arrangements are in place. **See Action 9.**

In line with the Counter Fraud, Bribery and Corruption Strategy proactive assurance work was completed during the year; fraud risk exposures were reviewed and evaluated across the Council, and where applicable internal audit testing considered the risk of fraud. Fraud awareness training was delivered to members in July 2018, and a rolling programme of training for teams is in place.

All managers and team leaders received mandatory risk management training during 2018/19 as the Council works to embed a consistent and effective approach to operational risk management across the organisation. This was a significant investment by the Council, with over 70 members of staff attending the full day course. Following the training the risk management strategy was also subject to independent external review. The feedback was positive and there were also a number of recommendations which were considered and incorporated within a new strategy. An action plan has been developed alongside the new risk management strategy; delivery of which will be overseen by the Strategic Risk Management Group. In addition to the action plan, the internal audit plan for 2019/20 includes a programme of departmental reviews which will seek to provide assurance that operational risks are being managed effectively. The results of this work will be reported to the Strategic Risk Management Group and the Audit and Ethics Committee. **See Action 10.**

The Council faces a number of risks which cut across service areas and for which the response needs to be coordinated at a corporate level to manage the risks effectively. A draft corporate risk register has been developed; this will be approved by and managed through the Strategic Risk Management Group. The corporate risk register will also be submitted to the Audit and Ethics Committee for review. **See action 11.**

The Medium Term Financial Strategy, approved in April 2018, sets out the measures being taken by the Council to prepare as far as possible for the future. Robust financial management has enabled the Council to report an underspend against its budget for 2018/19. The Council has continued to implement policies to support its route to financial self sufficiency by 2020. This includes ongoing work to understand the costs of running the various services and the benefits to customers, ensuring that services are run efficiently and effectively. Examples of outcomes from this work are the implementation of route optimisation software for the green waste service and ongoing implementation of the digitalisation programme. A review of fees and charges was also carried out during the year. The Council does, however, face considerable

uncertainty around the future arrangements for retention of business rates. Modelling has been completed and presented to members, setting out the range of possible outcomes along with the potential financial impacts and various options for mitigating those impacts.

Against this financial backdrop, the Council took two major decisions in 2018/19 to regenerate the Biart Place and Rounds Gardens sites for the provision of new homes, which provides an opportunity to develop a new more attractive and cohesive community. These decisions were taken with a full assessment of the various options for the sites, including costs and the impact on tenants. Cost assessments were informed by an assessment undertaken by independent building and project consultants. Tenants were consulted individually to clarify their thoughts on both the potential for redevelopment and their individual housing needs and the response rate was 87%. In December 2018 the Council also approved a Housing Acquisitions Fund of £13m to increase the availability of temporary accommodation and reduce the cost and usage of emergency accommodation such as B&B.

There are a number of projects currently in progress designed to help the Council become financially self sufficient by becoming a more efficient and effective organisation. These projects include:

- Implementation of a new housing management system to provide an improved customer experience and deliver a digitally enabled service that residents can access.
- Implementation of a new IT system called "Agile" in the Development Management and Enforcement service, enabling a more efficient process for staff and customers.
- Route optimisation of the domestic and trade waste and recycling rounds.
- Development of a longer term business plan for the Benn Hall and RAGM.
- Installing audio visual in the Council Chamber, which will significantly reduce the Council's administrative expenditure.
- Implementation of a corporate asset management system and the asset management strategy, including a review of the assets which the Council owns and strategically acquiring assets, for example to prevent homelessness.
- A systems thinking review of the Customer Advice and Support service, designed to ensure that it operates efficiently in a way which effectively meets customer needs.
- A systems thinking review of the licensing service including implementation of a new IT solution.
- A review of the Customer Service Centre with a focus on promoting digital channels as they are developed.

## **PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

### **Arrangements in place**

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of our external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- All reports are subject to a robust internal review process to ensure they are presented in an understandable style.
- The performance information set out in the financial statements is prepared in consideration of the presentational approach adopted by other similar authorities.
- There is an open data section on the Council's website which includes details of senior officer salaries.
- Implementation of external audit recommendations is monitored by the Financial Services Manager and Deputy Section 151 officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to senior management and the Audit and Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Chair and Vice Chairs of the Audit and Ethics Committee.
- Internal audit plan coverage includes governance and ethics related audits, in line with the Public Sector Internal Audit Standards.
- The Council submits itself to external peer reviews including by the Local Government Association, and in May 2017 welcomed an equalities and diversity peer review and challenge. Action plans arising from these reviews are monitored by the senior management team.
- An internal audit review of governance arrangements for jointly managed organisations and partnerships was recently completed in 2017/18 and provided a Substantial level of assurance.
- Invitations to tender are published along with the contracts register.

### **Effectiveness and future developments**

The Annual Audit Letter for 2017/18 provided assurance over the Council's financial control and overall governance arrangements.

The presentation of the Council's financial statements is designed to make them easy to read and for stakeholders to understand. The design of this annual governance statement is also intended to make it easy to read, and it has been prepared in line with good practice guidelines published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Furthermore, the draft financial statements and annual governance statement are now published earlier; this provides stakeholders with more timely information.

The internal audit service was subject to an external quality assessment in September 2017 which concluded that there were no areas of non-compliance with the public sector internal audit standards that would affect the overall scope or operation of the internal audit activity. A self assessment conducted by the Corporate Assurance and Improvement Manager in May 2019 has concluded that the internal audit service operates in conformance with the standards.

A full review and update of key performance indicators (KPIs) was completed during the final quarter of year to ensure that measures continue to be relevant to the needs and objectives of the organisation, and in line with the Corporate Strategy. There are a number of proposed amendments and additions to the KPIs for 2019/20, which are at the time of reporting awaiting finalisation. A programme of data quality reviews has also been instigated to provide assurance that published data is accurate, timely and complete. This programme of work will be expanded in 2019/20, to provide assurance across a range of services that effective performance management arrangements are in place. A report summarising the Council's performance in 2018/19 will be published on the Council's website alongside the financial statements. **See action 9.**

A review of the Council's overview and scrutiny arrangements was conducted during the year, with a view to implementing procedural improvements, increasing effectiveness, reviewing developments and assessing ongoing performance. The review considered what worked well and also made a number of recommendations. The recommendations, which were considered and endorsed by Cabinet on April 1<sup>st</sup> 2019, included the retention of two overview and scrutiny committees but with set remits aligned to the four portfolio areas. A programme of training was also recommended for the committee chairs, members, the Democratic Services team and senior management. The review also recommended that the scrutiny area of the Council's website be improved to encourage better public engagement. **See action 12.**

The Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance in 2018 on the function and operation of audit committees in local authorities. Self-assessment checklists and effectiveness evaluation forms were circulated to all members and named substitutes of the Audit and Ethics Committee, using the CIPFA guidance as a benchmark. This exercise highlighted a number of areas in which the effectiveness of the Audit and Ethics Committee could be enhanced. The Committee agreed on March 26<sup>th</sup> 2019 that a working group would be formed, to examine the opportunities for improvement and develop and implement an appropriate action plan. **See action 13.**

## 6. PROGRESS ON DELIVERY OF LAST YEAR'S ACTION PLAN

	Improvement Action	Assessment of Progress
1	<p>Deliver fraud awareness training to teams and members. Re-review the Council's fraud risks. Require all employees to confirm that they have read and understand the Counter -Fraud, Bribery and Corruption Strategy and Fraud Response Plan.</p>	<p><b>Substantially completed</b></p> <p>Counter fraud, bribery and corruption awareness training has been delivered to all managers and training is being delivered to individual teams on a rolling basis; 4 teams were provided with training during 2018/19. Awareness training was also delivered to Members in July 2018. The Council has implemented a new cloud-based system of meta compliance and in June 2019 all employees will be asked to confirm that they have read and understood the Fraud Response Plan; a questionnaire will be included to confirm employees' understanding. A review of fraud risks and mitigating controls across all Council departments was also completed in 2018/19; this resulted in a Substantial level of assurance and delivery of recommended actions is being monitored by the Corporate Assurance and Improvement team. <b>See Action 1.</b></p>
2	<p>Develop and implement a revised template for completing equality impact assessments. Provide training to all managers to ensure that the assessments are carried out in a consistent manner.</p>	<p><b>Completed</b></p>
3	<p>Publish performance reports to show delivery against the corporate strategy. Review and update the content, format and presentation of the Council's performance data.</p>	<p><b>In progress</b></p> <p>A full review and update of key performance indicators (KPIs) was completed during the final quarter of year to ensure that measures continue to be relevant to the needs and objectives of the organisation, and in line with the Corporate Strategy. There are a number of proposed amendments and additions to the KPIs for 2019/20, which are at the time of reporting awaiting finalisation. A report summarising the Council's performance in 2018/19 will be published on the Council's website alongside the financial statements. <b>See Action 9.</b></p>

	Improvement Action	Assessment of Progress
4	Implement the employee forum and mental health first aider initiatives.	<b>Completed</b>
5	Fully implement the action plan arising from the internal audit review of corporate health and safety.	<p><b>In Progress</b></p> <p>An internal audit follow up review has been completed and the report will be submitted to the Audit and Ethics Committee on June 6<sup>th</sup> 2019. Following appointment of a new Safety and Resilience Manager in April 2019, there is an appropriate structure in place to implement the remainder of the action plan.</p>
6	Implement the action plan arising from the internal audit review of fleet management.	<p><b>In Progress</b></p> <p>Follow up has been completed by the Corporate Assurance and Improvement team and the remaining actions are expected to be completed by the end of September 2019.</p>
7	Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group (SRMG). Deliver risk management training to all managers.	<p><b>In Progress</b></p> <p>Risk management training has been delivered to all managers. A draft corporate risk register has been developed; this will be approved by and managed through the Strategic Risk Management Group. The corporate risk register will also be submitted to the Audit and Ethics Committee for review. <b>See action 11.</b></p>

## 7. UPDATED ACTION PLAN

	<b>Action</b>	<b>Lead officer</b>	<b>Target completion date</b>
1	Require all employees to confirm that they have read and understand the Counter Fraud, Bribery and Corruption Strategy and Fraud Response Plan.	Head of Corporate Resources and Chief Finance Officer	30/06/2019
2	Develop an Information Governance framework for the Council and implement the action plan arising from an internal audit review of Data Protection Governance. Ensure that the Information Governance Group reports periodically to the Senior Management Team on its activities and any significant issues and emerging risks.	Head of Communities and Homes	31/03/2020
3	Update the IT Code of Conduct to reflect the increasing number of agile workers. Develop and implement an agile working policy.	Head of Communities and Homes	31/12/2019
4	Implement the action plan arising from the Warwickshire Pride survey of the Rugby borough LGBT+ community. Deliver LGBT+ training to all Council employees.	Head of Communities and Homes	31/03/2020
5	Publish the decisions which involve officers exercising their delegated authority, including the rationale.	Legal, Democratic and Electoral Services Manager (Monitoring Officer)	30/06/2019
6	Develop an engagement strategy to support and enable tenants to live independent lives.	Head of Communities and Homes	31/12/2019
7	Complete the internal audit review of customer feedback arrangements, including consideration of their effectiveness and how services measure customer satisfaction more widely outside of the formal system. Report the results of the audit back to the Council's Operational Manager Group.	Head of Corporate Resources and Chief Finance Officer	31/03/2020

	<b>Action</b>	<b>Lead officer</b>	<b>Target completion date</b>
<b>8</b>	Review the member training programme, ensuring there is effective engagement and that members are developed to fulfil their roles as effectively as possible.	Legal, Democratic and Electoral Services Manager (Monitoring Officer)	31/12/2019
<b>9</b>	Publish the report summarising the Council's performance against the corporate strategy in 2018/19 on the Council's website alongside the financial statements. Finalise the agreed suite of KPIs for the 2019/20 financial year.	Head of Corporate Resources and Chief Finance Officer	30/06/2019
<b>10</b>	Implement the Risk Management Strategy action plan.	Head of Corporate Resources and Chief Finance Officer	31/03/2020
<b>11</b>	Obtain approval for the corporate risk register from the Strategic Risk Management Group and submit it to the Audit and Ethics Committee for review.	Head of Corporate Resources and Chief Finance Officer	31/10/2019
<b>12</b>	Develop and implement the programme of training for the scrutiny committee chairs, members, the Democratic Services team and senior management. Update the scrutiny area of the Council's website to encourage better public engagement.	Legal, Democratic and Electoral Services Manager (Monitoring Officer)	31/03/2020
<b>13</b>	Develop and implement an action plan to enhance the effectiveness of the Audit and Ethics Committee.	Head of Corporate Resources and Chief Finance Officer	31/03/2020

## 8. SUMMARY, CONCLUSION AND CERTIFICATION

- 8.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 8.2 This statement has been considered by the Audit and Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A number of future developments have been highlighted and these are specifically addressed within the Action Plan.
- 8.3 The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2019/20.
- 8.4 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operation.

**Adam Norburn - Executive Director**

Date: 30 July 2019

**Councillor S Lowe - Leader of Rugby Borough Council**

Date: 30 July 2019



## GLOSSARY OF TERMS

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Appointed Auditors**

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton is the Council's appointed Auditor.

### **Balances**

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

### **Capital Expenditure**

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### **Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

### **Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

### **Code of Practice (the Code)**

The Code of Practice on Local Authority Accounting determines how Local Authorities should interpret all issued Accounting Standards in the light of statutory legislation and guidance, in order to present fairly the accounts of a public body.

### **Collection Fund**

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and its distribution to local Government bodies and the Government.



### **Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

### **Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.

### **Creditors**

Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the date of the balance sheet.

### **Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

### **Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet

### **Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Ministry of Housing, Communities and Local Government (MHCLG)**

MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

### **Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

### **Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

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

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### **Financial Regulations**

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

### **General Fund**

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

### **Heritage Asset**

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.

### **Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

### **Housing Revenue Account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patent

### **International Financial Reporting Standard (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.



### **Medium Term Financial Strategy (MTFS)**

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

### **Medium Term Financial Plan (MFTP)**

This is the detail and assumptions behind the MTFS, and is referred to when we are talking about the calculations in the MTFS.

### **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

### **Non- Domestic Rate (NDR) (also known as Business Rates)**

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

### **Net Book Value (NBV)**

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

### **Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

### **Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

### **Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

### **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### **Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

### **Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

### **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, elected members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### **Reserves**

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

### **Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

### **Section 106 (Developer) Contributions**

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

### **Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

### **Treasury Management Strategy (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

### **Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

### **Useful Life**

The period over which the Council will derive benefits from the use of a non-current asset.