



# Statement of Accounts

**Rugby Borough Council • 2019/2020**



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## **NARRATIVE REPORT**

### **Narrative Report of the Interim Chief Financial Officer Financial Year ended 31 March 2020**

#### **Introduction**

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2019/20 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2019/20 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 the presentation is designed to make them 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 2020 and is structured as follows:

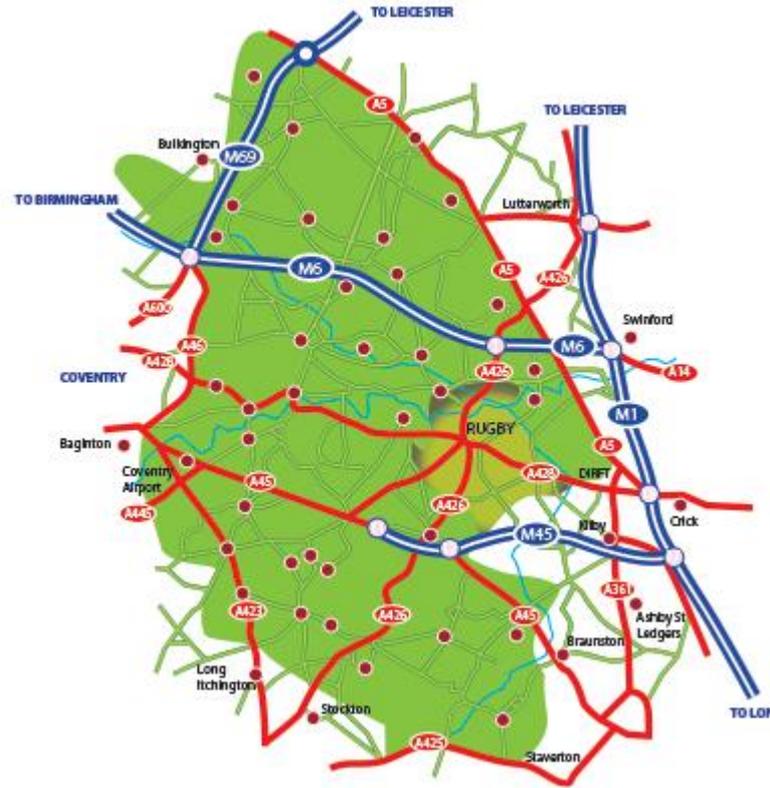
1. About Rugby
2. About Rugby Borough Council
3. Governance
4. Our Priorities
5. How your Council is performing
6. Financial Overview of 2019/20
7. Financial Performance in 2019/20
8. Future Financial Outlook
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**Jon Illingworth CPFA  
Interim Chief Financial Officer  
10 November 2020**

## 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.

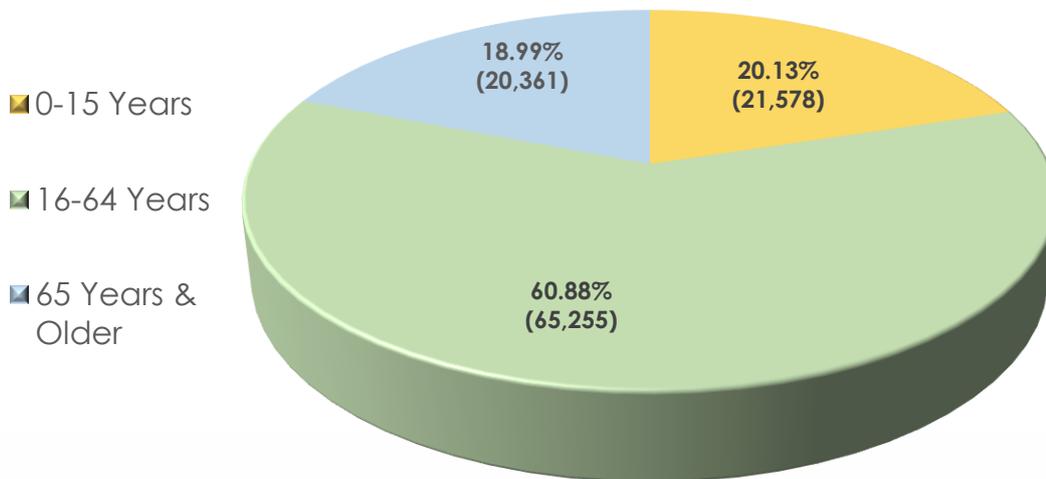
Consequently, the borough has also seen increased 6% growth in population over the last 5 years and currently covers the town of Rugby and 40 rural parishes, with a total population of 107,194 and covering an area of 88,000 acres. The Borough is one of the fastest growing in England with new growth in Houlton, Eden Park, Technology Drive and Cawston.



### Population

Office for National Statistics Mid-year estimates for 2018 reported that Rugby's estimated population was 107,194 with the age profile as presented in the following chart.

Composition of Rugby Population





The borough is home to some major organisations including Cemex, the London Taxi Company, Amazon, and Jaguar Land Rover and now the aerospace, defence and energy engineering group Meggitt PLC. Meggitt have built their new international headquarters at Ansty Park, and the site is due to be fully operational from October 2020. The new base is a significant investment in the long-term future of Meggitt in the area and will be a hub for next-generation aerospace innovation and R&D within a world-class manufacturing environment.

Rugby is known all over the world as the birthplace of the game of rugby football. We continue to demonstrate our commitment to invest in the town's heritage with our partnership with World Rugby around the Hall of Fame which opened in November 2016 and has since hosted three inductions of rugby stars in to the Hall of Fame from nations across the world.

## 2. About Rugby Borough Council

Rugby is the primary local authority for the Borough, providing 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.

### Political Structure in the 2019/20 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.



The management structure of the organisation will change in 2020/21 with the pending retirement of Adam Norburn who will be replaced by the current Head of Corporate Resources and Chief Financial Officer, Mannie Ketley.

### 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.

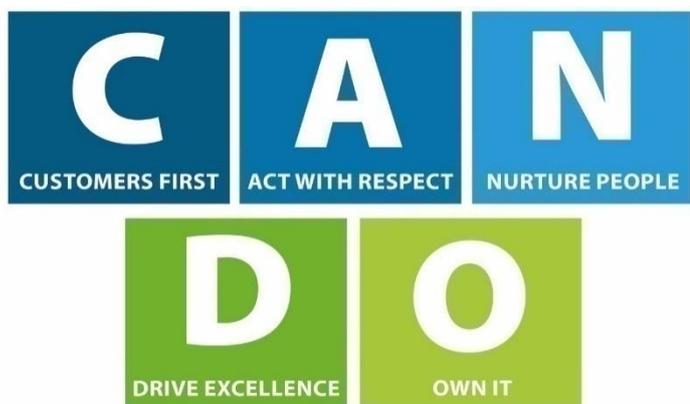
Several further enhancements were made to our governance arrangements during 2019/20 including:

- Enhancements to the Information Governance framework, including introduction of a clear desk policy and update of the IT Code of Conduct.
- Requiring employees to confirm they had read and understood the requirements of the Fraud Response Plan.
- Provision of mandatory LGBT+ training to all officers and members.
- Delivery of independent scrutiny training to senior managers, democratic services officers and members.
- Publication of decisions taking under delegated authority.

During our emergency response to the Coronavirus pandemic, we responded rapidly to ensure that key decisions could continue to be taken with appropriate scrutiny and transparency. This included having weekly question and answer sessions between officers and members, and the introduction of virtual Council meetings which are live streamed to the public. As part of our response we implemented strategic senior management oversight and an operational management tactical group. We also developed a corporate Coronavirus risk register, which supported the effective delivery of our response to the pandemic.

We are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2020/21; this includes development of a more effective approach to the use of data, and further development of our information governance framework.

Equality impact assessments are a key element of our governance framework for decision making, and we continue to hold an accreditation of "excellent" under the equalities framework for local government. In 2020/21 we will be carrying out a self assessment under the framework, which will then be subject to independent review and validation.



## 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. As a result of the Coronavirus pandemic our strategy will be extended by a further year and will become a recovery strategy, further details can be found in section 10.

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 2019-20

1

## Financial Sustainability

The General Fund financial position is an underspend of £0.375m before providing for carryforwards into 2020/21 of £0.331m This leaves a net £0.044m underspend.

	Budget	Actual	Variance
	£000s	£000s	£000s
2019/20	16,740	16,696	(44)

At the end of 2019/20:  
General Fund balances are at £2.250m  
Earmarked Reserves are at £9.754m



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
2018/19	939
2019/20	1,004

The housing trajectory in line with the local plan projects that a further **1,111 homes** will be built within the borough of Rugby in 2020/21.



3

## Workforce

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

Year	Headcount	
2018/19	496	
2019/20	489	

Working days lost	Long Term Sickness	Short Term Sickness
2018/19	2,404	3,494
2019/20	2,794	3,118



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## Homelessness

The amount of Homelessness preventions/reliefs made by RBC has risen by 25% from the previous year.

Year	Prevention/Reliefs made by RBC
2018/19	416
2019/20	521

The Private Sector Leasing Scheme (PSLS) accommodation increased to 92 units in year, which will house local people in housing need.



5

## Communities & Wellbeing

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

Year	Green Flag Awards
2017	5
2018	5
2019	5

In addition, continued support from volunteers within our Parks services are at a record high of **15,000hrs**, which represents a 21% increase compared with 2018/19.



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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	3,786
Right to buy (RTB)	(25)
Additions	28
Closing Stock	3,789

This breaks down as follows:

Property Type	2018/19	2019/20
Houses/Bungalows	2,151	2,152
Flats	1,635	1,637





## 5. How your Council is performing

Rugby has seen continued growth and investment in the local economy in recent years which includes;

The 151-year-old family-owned firm Stepnell have completed phase one of a new £8 million business park development at their Lawford Road site in Rugby. Stepnell Park will bring new commercial and industrial units and up to 100 jobs to the area.

The new international headquarters of Meggitt PLC at Ansty Park will be fully operational from October 2020 and serve up to 1,000 employees. The Ansty Park super-site, coupled with the Meggitt Apprenticeship Programme launched in partnership with the Manufacturing Technology Centre, is a significant investment in the long-term future of Meggitt in the local area.

Housing development has continued across the Borough, particularly at Houlton & Rugby Gateway (Eden Park) creating new communities, as well as providing greatly needed affordable housing in Ryton on Dunsmore.

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, due to austerity measures and changes in funding methodology we have been impacted by funding cuts over the last 10 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 due to the phased reduction in legacy payments from six years in 2016/17, five years in 2017/18, to four years from 2018/19 onwards.

Consequently, members have been required to make some difficult decisions to ensure that Rugby is fit for the future. The outcome of these decisions continually enable the Council to prepare for the anticipated radical Government funding changes in future years. However, the anticipated fair funding review expected in 2020/21 has been delayed because of the focus on Brexit and the impact of the Coronavirus pandemic but does not take away the expected 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, taking a more commercial approach to services that we offer and the charges that we make, 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 2019/20 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 2020/21. These include;

- The reduction in cost in B&B and Nightly Self-Contained Accommodation
- Increased planning income above anticipated budget levels
- The removal of the key decision surrounding kerbside waste collection

- The increased cost seen for Land Fill Tax following an updated calculation method for the Commercial Waste service
- The impact of loss of income from free parking for evenings and weekends in the town centre

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 in 2019/20 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 and continue to support requests for work experience.
- Efficiencies through continued improvements and solution in digitalisation with the largest being the replacement of the platforms and websites in respect of the content management system and customer relationship management.
- Improved services to the residents of Rugby Borough through online services which are now available to the community through the 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 access the Community Grants scheme through the online portal resulting in a complete digitalisation of the Rugby Grants process, including application, consideration, and feed through to grants party and grant award.
  - 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.
- The pilot to use chat-bots which utilise Artificial Intelligence to simulate conversation with human users was completed but found that the technology was unable to cope with anything other than extremely basic requests, and overall resulted in increased failure demand on other channels. Though Artificial Intelligence offers significant potential, the technology is insufficiently advanced to bring any benefits at this time. The council will instead focus resources on implementing a digital experience platform that will harmonise the customer relationship management and website content management systems and offer scope for further rationalisation of council systems.
- Forward planning to meet the overall priority to become financially self sufficient with any anticipated excess growth in business rates allocated to reserves to help manage the expected cliff edge created from the funding changes in future years from Business Rates Baseline and Fair Funding.



## How our activities align with our Corporate Priorities

### Corporate Resources – Portfolio Performance

#### Optimise income and identify new revenue opportunities

The 2019/20 budget included additional income proposals of £0.219m 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 expanding the lifelines service.

Our commitment to working in partnership and sharing good practice has continued to generate cash efficiencies through income generation and cost recovery.

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 £0.203m in 2019/20
- Increasing our average rate of return on investments by 0.07% year-on-year to 1.23%, or 0.60% greater than our benchmark, 3-month LIBID ( the rate at which major global banks lend to one another in the international interbank market for short-term loans.)

In addition, as part of the budget setting process there are proposals which will explore opportunities to generate further income during 2020/21 with budget proposals for both Sports and Leisure and Trade Waste services. 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'

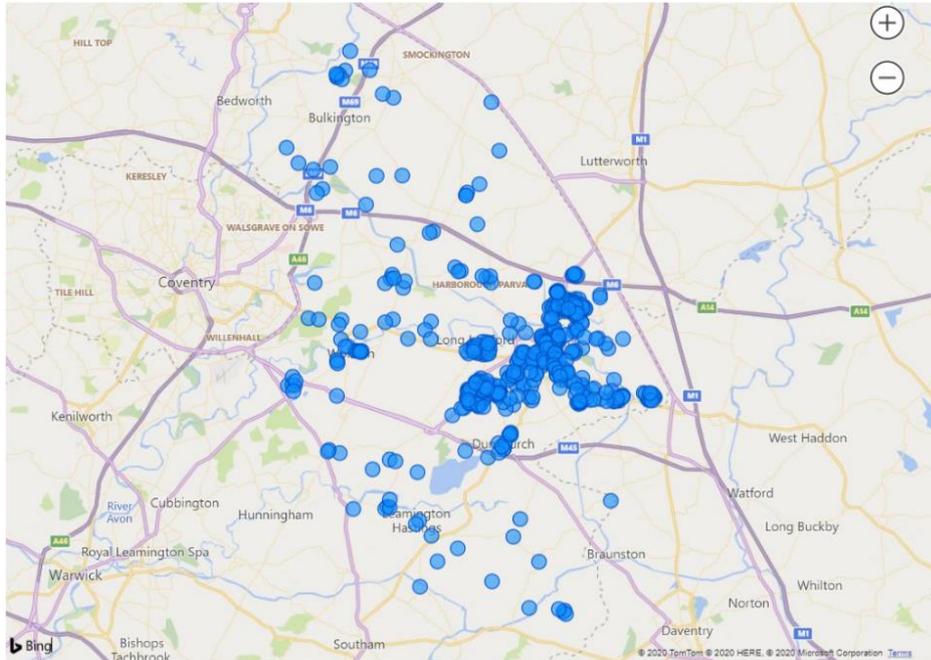
#### Prioritise use of Resources to meet changing customer needs and demands

##### Digitalisation

The efficiencies and cost savings will continue to be realised as new online services are developed and implemented. Already we have realised savings through the use of online services like Green Waste channel which was seen an increase in signups over 70%. To accompany this increase we have provided integration of councils Secure Card Portal payment system into back end systems to allow seamless transactions for Bulky Waste, Garden Waste and Street Waste.

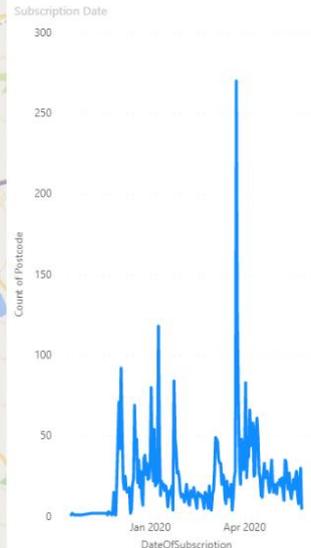
Another success story has been the development and launch of the Rugby App, which integrates directly into our processes and provides push notifications of bins days to residents amongst other functions.

App subscriptions by postcode



Number of subscriptions by unique household

**4287**



Rugby has become an early adopter for Civica Cx and represent the first authority to go live with the Licencing system. As part of the success of this project we were nominated for a Technology Award for our partnership in the development of the system.

As we are nearing the end of the Disaster Recovery project which will provide resilience of the council's IT infrastructure in the case of an emergency, this offsite facility also enhances councils strive toward cloud technologies.

The Digital refurbishment of the Council Chamber Audio Visual equipment has enabled members to embrace a paperless environment and enable savings with printing, paper and officers time.

As at 31 March 2020 we had 56% of accounts signed up for e-billing for Non Domestic Rates (NDR) and 29% signed up for e-billing for Council Tax. We have had 3,964 Open Portal sign-ups up to 31 March 2020, which takes the total number of tax payers registered to manage their accounts online to 10,893.

### Our Staff

Our staff are our most valuable asset and 2019/20 saw us continue to promote the 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 with the top reason for sickness due to stress, depression and anxiety this year. As a Council we are taking a proactive approach to support our staff and have now introduced Mental Health First Aiders within the Council who are members of staff who have received significant training to enable them to support and signpost our employees experiencing mental health issues.

In addition, a new scheme was launched to help recognise achievements and share appreciation of our staff, the new scheme means that staff can send and receive praises from other colleagues, managers and even on behalf of external customers. The scheme means that praises can be expressed in the way of a badge of honour of which there are nine types to choose from, five are aligned directly to our **CAN DO Corporate Values** whilst there are an extra four for items such as "Team Player" and "Problem Solver"



During 2019/20 staff received:

- 1,125 training places on 75 internal courses
- 35 staff took 129 E Learning courses

The Council employs 6 apprentices working towards either their level 2 or 3 customer care qualifications with a further 14 staff receiving training funded by the apprenticeship levy.

## Ensure that the Council works efficiently and effectively

### Optimise the use of our land and assets

The Council have commenced a project to support the regeneration of the town centre. This is at an early stage but will gain further traction and speed in the coming year as the council develops its approach for its local recovery plan following the Coronavirus pandemic.

The Council has obtained government funding under the One Public Estate scheme to support the review of the Town Hall site. This project includes a wide range of public sector partners including Warwickshire County Council, the West Midlands Combined Authority, the Department of Work and Pensions, blue light services, NHS partners, third sector partners, private companies, and other local stakeholders.

During 2019 the grant money has supported initial specialist consultancy work. This included a condition survey of the Town Hall, a workplace assessment, and an initial options appraisal. Options range from the refurbishment of existing council assets to the sale of the site and provision of a new shared services buildings/arrangements including a new Rugby Hub building. This work is planned to continue during 2020 and will include consultation on the proposals.



*Architects Impression of a Potential New Rugby Hub building*

The council own 4.25 acres of vacant land near the railway station. After offering the land to the open market and receiving many bids the council entered an exclusivity agreement with a developer with a view to selling the land for development. The developer is currently pursuing a proposal for 360 new private rental sector properties through the planning system. The council hope to conclude the sale in 2020 and see the new homes built out soon after.

### New Council houses

Over the last year the council has purchased or exchanged contracts on 20 brand new section 106 houses (houses designated affordable units under planning consents) from developers and purchased a further 18 houses in the open market. In addition to existing funding of £3m to facilitate the replacement of homes lost through Right-to-Buy, the council allocated £12.9m for a Housing Acquisitions Fund to alleviate the costs of temporary accommodation and will continue with acquisitions throughout the forthcoming year.

### Bell House project

The council have secured planning permission for 18 affordable apartments on a former extra care home which it owns (the extra care facility has been demolished). The council intend to build out these new homes using local contractors and its own in-house project management expertise.

The council have appointed the design team and will tender the project to contractors in the coming year

### High Rise Projects

The council has approved the regeneration of 5 high rise blocks in the borough at Biart Place and Rounds Gardens. The council has led UK wide research working with the Building Research Establishment on large panel structures such as these to understand the condition of the building before making the decisions.

### Biart Place Project

The blocks have been fully decanted and de-construction works commenced on site. The contractor has commenced the de-construction (although the works are currently suspended because of Coronavirus restrictions). The council undertook a public consultation prior to commencing work on site and is currently preparing detailed proposals for the regeneration project. The Council has also worked with the Fire service in tackling a fire situation in high rise buildings as a regional training exercise.

### Rounds Gardens Redevelopment

The council approved the decant of tenants out of the three blocks over a three-year period and to fully regenerate the site. The decant of tenants is progressing well (although currently on hold due to Coronavirus -19 considerations) and the council has successfully found suitable alternate accommodation for tenants they have decanted already.



Current Rounds Gardens site

The Rounds Gardens site consist of three high rise blocks (Ashwood Court, Beechwood Court, Royal Court) and 32 low level independent living (sheltered) flats. The aim of the redevelopment is to replace or exceed the number of homes offered on the site.

The Phase 1 Feasibility study has been completed which included a detailed analysis of the existing site and early design options to accommodate the council's specific requirements.

The Council is now out to tender to procure a design team



*Artists impression of potential Rounds Gardens redevelopment*

#### 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 2019/20 the following areas were reviewed:

- The introduction of a Chatbot to its website and Facebook Messenger to assist in the queries arising from refuse and recycling.
- Housing processes alongside the introduction of new Housing Management System
- The Community Advice and Support Team (CAST) as part of an overall service redesign to meet increased pressures in demand for services
- An end-to-end review of Audit processes.

In addition, 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 aims to 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:

- 36 communal blocks had door replacement and enhanced security measures fitted
- A total of 132 bathrooms were upgraded
- Heating upgrades of approximately £1.181m, equating to around 530 new installs for combination boilers.

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

- We sustained 38 of 47 tenancies referred to court who were at serious risk of losing their home as a result of rent arrears, anti-social behaviour or breach of tenancy.
- 173 customers accessed the Tenancy Coach or Tenancy Sustainment Service whereby the team worked with individual customers to develop a sustainment plan, complete income maximisation exercises, and access specialist support. Many of these cases involved mental health, drug & alcohol misuse and domestic abuse.

#### 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.

One of the key success for the team during the year was the significant progress made in reducing the number of clients having to be placed in Bed and Breakfasts establishments. In 2018/19, the numbers of placements rose to a high of 36 in June 2018. Despite continuing high demand on the service, the number of placements throughout 2019/20 were reduced to between zero and three at any one time until mid-March 2020. This resulted in costs for Bed and Breakfast placements reducing from £0.374m in 2018/19 to £0.066m in 2019/20. Part of the success in this was the increase in properties sourced via the Housing Acquisitions Fund that was created in 2018/19. During the year the fund has acquired £4.9m worth of land and property which provided 38 homes for families and individuals.

#### Number of homeless prevention reliefs made by Rugby Borough Council

2018/19	416
2019/20	521

However, the use of commercial hotels and other establishments increased significantly from mid-March with the unconditional placing of homeless households as part of the Council's response to the Coronavirus Pandemic. This will continue into 2020/21.

#### Universal Credit

Universal Credit is now firmly established within the Borough and provides support to those of working age to pay their rent (replacing Housing Benefit), with the total number of claims increasing from 3,600 in March 2019 to 4,600 in February 2020. This number is expected to increase significantly during 2020/21 as a result of the economic downturn caused by the COVID-19 Pandemic.

### 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 2019/20 and estimates for 2020/21 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 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 with the first draw in May 2019, the Lotto now celebrates its first year and has raised more than £30,000 for charities and community causes.

## Environment and Public Realm – Portfolio Performance

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

During this year we have implemented changes to our grounds maintenance service following a review to ensure that it is operating efficiently whilst still delivering a cost effective service for our residents. We have also spent a considerable amount of time working with our Planning colleagues looking at the Local Plan to ensure these areas provide environmental benefits such as opens spaces to our new and emerging communities.

#### Ambitious Masterplan

2019/20 saw us launch our ambitious masterplan detailing a range of improvements to the recreation ground at Featherbed Lane including a picnic area, wildflower meadows and dozens of trees. We then launched a public consultation to invite residents to let us know what they thought about the plans, and following this we will now finalise the plan before looking to secure funding for the project.

2019/20 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 twelfth year in a row.
- **Britain in Bloom** – Rugby Borough achieved a Gold Award in the regional Heart of England in Bloom campaign.
- **Bees Needs** – The Council was awarded 3 Bees Needs Awards from the Department for the Environment, Farming and Rural Affairs (DEFRA) for all our efforts in helping sustain pollinators.



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

The impact of digital solutions and more efficient ways of working in 2019/20 has enabled the waste and recycling service to make continued progress in all aspects of the service.

### Operational

The service has not only seen a 50% reduction in reported missed bins for specific collection services but also accommodated increased participation in our garden waste collection service with Recycling and green waste tonnages having increased during the year, showing an improvement to the disposal of household waste through more separation. In addition, the Commercial Waste service has maintained subscription levels from previous years with approximately 990 local businesses subscribing to the service.

### Corporate

There is a new suite of service level KPIs created and implemented leading to improved service accountability which is supported by new business continuity plans created and actioned in March 2020

Health and Safety has been prioritised for all operational services leading to reductions in accidents and working time lost, in addition to improved Health and Safety Management and Action plans specifically created and implemented for waste collection services

A new Waste and Environmental policy document has been issued covering all service requirements and the 2019 fleet procurement programme was delivered in full with a 15 year procurement programme now developed

From a Regional and National perspective, the Council is an active participant and project partner in the proposed regional materials recycling facility in partnership with neighbouring and regional local authority partners. Leading to the Joint Waste Agreement (1 & 2) being signed allowing for the procurement commencing for the design and build of the facility to be delivered in 2022/23.

## Protect the public

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

- **Private Sector Housing Charter** – the Council has 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 in 2019/20 with regards to several key areas; dog control, use of intoxicating substances in the town centre, and tackling nuisance behaviours at Newbold Quarry.
- **Licensing** – A number of joint operations led by Rugby Borough Council with support of colleagues from the DVLA and Warwickshire County Council were held in 2019/20 where school vehicles and Hackney and Private Hire vehicles were inspected and removed from the road if found to be unsafe.
- **Community Wardens** – Restructuring was completed which provides a major service improvement for local residents and businesses and the Community Wardens can now provide community based customer services 7 days per week. Services include responding to anti-social behaviour, nuisance, dog warden services, car park support and enforcement. The service has been extended to support other teams within the council that do not have out of hours cover.

## Growth and Investment – Portfolio Performance

### Promote sustainable growth and economic prosperity

#### Adopt an ambitious Local Plan

The Local Plan was adopted on 4 June 2019, the plan sets out sites for 12,400 homes to be built by 2031, and 208 hectares of employment land, some of which has already been completed this year. The adoption of the plan follows extensive consultation involving residents, businesses, developers and other interested parties, an independent examination by a government-appointed planning inspector and a series of public hearings overseen by the inspector. Adoption of the Local Plan fulfils a key strategic objective of the council and is vital to help shape future growth and investment in the borough.

### 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** – This three-week event has grown to one of the largest cultural events in Warwickshire and showcases a wide range of local artistic talent across the town centre's cultural buildings, businesses, and public spaces.
- **Rugby Bikefest** – This family-friendly festival is the busiest one-day event of the year. It includes a ride-in, bike displays, stalls, children's activities, funfair, music and food. The highlight was the 'Extreme Wheelie' machine, both a motorcycle simulator and a virtual reality experience.
- **Heritage Open Days** – Rugby Visitor Centre co-ordinated and promoted the Borough's events offer as part England's largest free festival of history and culture. Highlights included a town tour on a Midland Red vintage bus, a trip to the Cemex plant, a behind-the-scenes visit of Rugby Theatre and Rugby School tours.



#### Hall of Fame

The World Rugby Hall of Fame which was opened in November 2016 and continues to attract visitors since opening its doors. During the 2019 summer holidays saw the Hall of Fame offer "Kids Go Free" with a paying adult and tied this in with a number of activities held at the Hall of Fame.

In December 2019 former Welsh international and record try-scorer Shane Williams launched the “Handoff Challenge” inviting rugby fans to visit the Hall of Fame and try beat his record. The Handoff Challenge consists of speed and a reactions test where challengers have 30 seconds to use their hands to hit as many targets as possible.

To celebrate the 2019 Rugby World Cup a programme of events ranging from music and theatre to rugby talks and movies were held during the tournament to celebrate the spirit of the game with a focus on the host country Japan.



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

Rugby Art Gallery and Museum held a range of successful exhibitions this year attracting visitors into the town centre from the borough and across the country. Highlights include **Curious Cures and Marvellous Medicines** which showcased the weird and wonderful medical instruments in the collection dating from the late Victorian to mid-20<sup>th</sup> century that have recently been assessed pharmaceutical experts. February half term activities connected to the exhibition were inspired by the Roald Dahl's George's Marvellous Medicine, with special permission from the publishing house. The exhibition was visited by nearly 6,000 visitors 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 continued to develop through new split deals with theatre companies and agents to increase the calibre of acts offered at the Benn Hall increasing further footfall to both the Town Centre and the Benn Hall. A number of sold out shows throughout the year including the likes of Showaddywaddy, Jethro and The Bohemians (leading Queen Tribute Act) has further installed the Benn Hall as one of the top venues in Rugby.



## 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:

- **Sports Development** – Continue to work with local partners to provide physical activity sessions including Table Tennis and Kurling for the older residents. The team also continue to provide the summer activity programme to young people during school holidays with activities such as Golf, Sailing and Trampolining.
- **Family Lifestyle Programme** – The service has continued to meet its targets set by Warwickshire County Council and as a result Rugby Borough Council has secured a new 3 year contract which will see the Family Weight Management Programme expand to the Healthy Lifestyles service which will now include a wider audience of 4-19 year olds.
- **On Track & Play Rangers** – Both of these service continue to engage with younger people, On Track continues to develop with its partners to offer community and mentoring sessions to young people and pupils. The Play Ranger service also continues to develop with new exciting opportunities such as offering Forest Schools.
- **Good Times Programme** – Now in its 5<sup>th</sup> year the programme aimed at people living with dementia enables a wide range of users and carers to engage with a monthly craft session at the RAGM with sessions also held at the Rugby Age UK centre and St Cross Hospital.



## 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;

- **LGBT+** - Rugby Borough Council and Warwickshire Pride have adopted a joint action plan aimed at making sure LGBT+ communities in Rugby feel safe and supported. Flying the rainbow flag on key dates was one action, while others included providing training for council staff and other public sector agencies and providing support services and safe places for LGBT+ communities.
- **Volunteering** - Supported a record 15,981 hours of volunteering within both our green spaces and Rugby Art Gallery and Museum.
- **Environmental Crime** - There has been continued support for other local authorities with expertise given in envirocrime enforcement to Harborough District Council and Warwick District Council to provide training, advice and enforcement services including fly tipping and houses in multiple occupation waste offences.
- **Coventry Warwickshire and Solihull Resilience Team** - This was the first year of an agreement for the provision of a Joint Emergency Planning Officer (JEPO), with numerous successes emerging from the arrangement including a review of the Major Emergency Plan, access to specialist training and exercising for Council staff and the Council's response to other emergencies which have occurred throughout the year.
- **Rainsbrook Crematorium** - This is jointly operated between Rugby and Daventry Councils and has now successfully completed its 6<sup>th</sup> year of operation.
- **GDPR** – With the introduction of General Data Protection Regulations Rugby Borough Council provides support to Nuneaton and Bedworth Borough Council with the new General Data Protection Regulations.
- **Warwickshire Fire & Rescue** - Providing use of the empty Biart Place multistory flats for realistic training exercises.

Further details of our partnership working can be found within the Related Parties note 34.

## 6. Financial Overview of 2019/20

The approved budget for 2019/20 was £16.740m and included (£0.687m) savings and Key decisions, in addition to (£0.219m) income proposals. These proposals have either been successfully achieved or are in progress with mitigating actions taken to mitigate the financial impact of this during the year. However, the key decision of £0.105m in respect of waste collection to review of non-kerbside collections was not delivered and later removed during the budget setting process for 2020/21. This decision followed further consultation and a detailed service review that was carried out during 2019/20.

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

- £0.182m staffing related savings and Key decisions including redundancies and disestablished posts following service redesign
- £0.166m saving in budgeted bad debt provision due to a reduction in the overall level of debt associated with Housing Benefit overpayments, primarily due to the transition to Universal Credit.

- £0.149m from increased demand for chargeable Waste Services £0.100m increase in the corporate savings target
- £0.040m relating to a fees and charges review which reflected the CPI increase of 2%.

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 2018-2022 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 the reset of the current retained business rates retention system which is assumed to take place on 1 April 2021. 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 has now been delayed. The Review of Relative Needs and Resources will no longer be implemented in 2021/22 as planned in order to allow councils to focus on meeting the public health challenge posed by the Coronavirus Pandemic.

The Medium Term Financial Plan (MTFP) approved by Full Council in February 2020 assumed an estimated financial impact of the business rates reset with the Council's funding baseline 2020/21 and future years 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

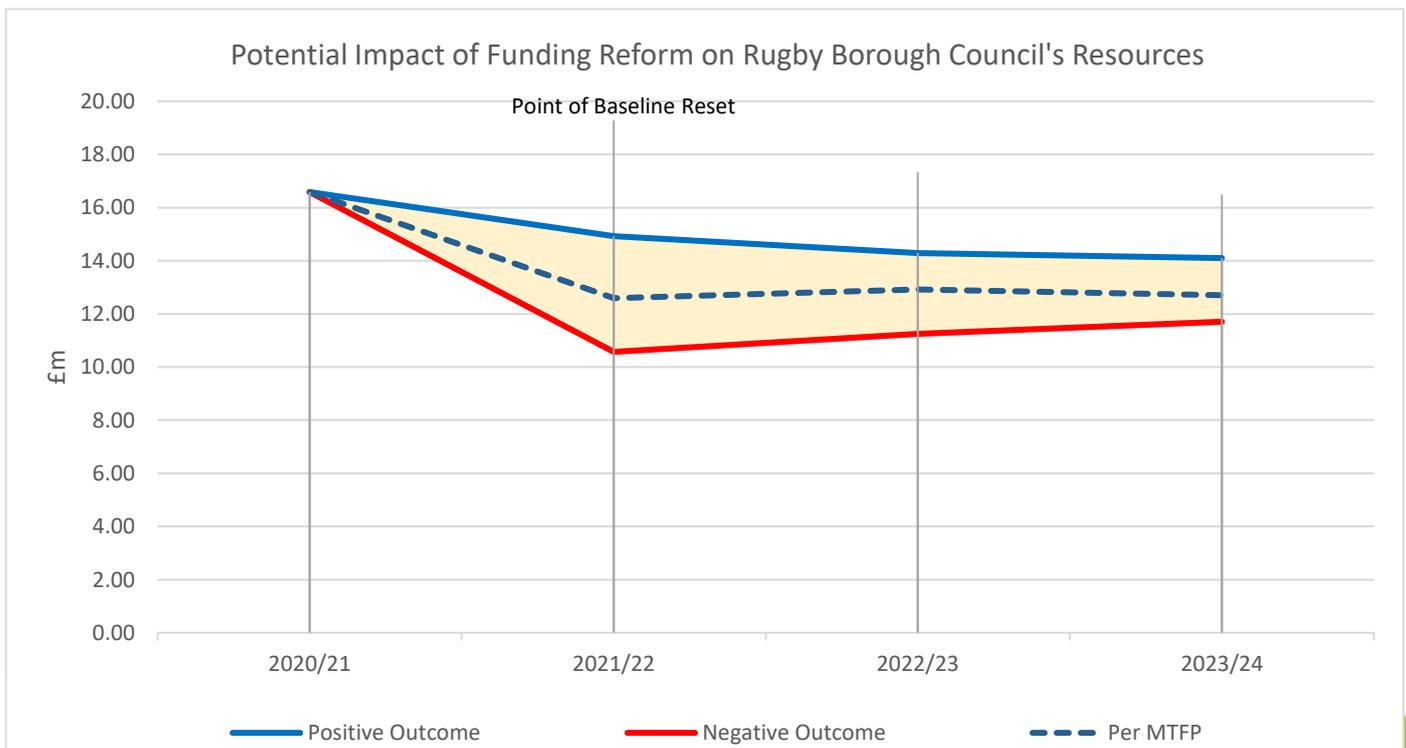
We are a pro-growth authority and have taken a proactive approach to generate growth in our local economy. Consequently, we have benefited from retaining a proportion of the additional business rates generated in the borough and therefore we are above our business rates baseline level.

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

- The impact of Coronavirus Pandemic on the performance and sustainability of business in the local economy.
- 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 future years extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes. If all of these came into effect, cumulatively the potential losses aggregate to a sizeable financial loss.

The following chart shows the assessment, made in February 2020, of the different financial outcomes that might arise for Rugby Borough Council across the medium term.





The **dotted blue line** represents the funding position, as per the approved 2020-24 Medium term financial plan (MTFP). It shows that during the early stages of the MTFP, the Council's funding does drop from £16.5m (excluding Parish precepts) to £12.600m between 2020/21 and 2021/22. However, later into MTFP the Council again begins to benefit from growth in the business rates funding increases to the £12.700m position by 2023/24.

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 its deeper reductions in its resources reduce from approximately £16.500m to £12m between 2020/21 and 2023/24. This would represent a £4.800m or 29% reduction in total resources.

The **solid blue line** presents a scenario where a positive or favourable outcome from the funding reform is delivered for Rugby Borough Council. In such a scenario the Council's funding reduction is smoothed over the medium term through transitional funding and assumes that there will be some continuation of funding to replace the changes expected in the NHB grant. The Council would see its reductions in resources reduce from £16.500m to £14.500m in the longer-term.

The Coronavirus Pandemic is expected to have a negative impact on the Council's ability to collect income in 2020/21, including council tax and business rates. It is too early to draw any firm conclusions of the impact on the Council's revenues for current and future years at this point. However, this will continue to be monitored to help identify the emerging trends and route cause and then enable more accurate forecasts moving forwards.

## Housing Revenue Account (HRA)

### Rents

2019/20 was the final year of the requirement to reduce social rents by 1% annually introduced via the Welfare Reform and Work Bill 2016. To fund the income deficit during the 4 years covered by this policy, a mixed approach was adopted of identifying savings across the housing service and restructuring the HRA debt portfolio profile. Following consultation, the new Rents of Social Housing policy guidance has now been issued by government and will allow registered providers to increase rents by CPI + 1% (2.7%) in 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 2020, assuming a central case of future interest costs at 3.30%, the Council agreed a new local limit of £152m 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.

## 7. Financial Performance in 2019/20

### General Fund

In 2019/20 the total Portfolio expenditure was £15.831m against a revised budget of £15.790m, resulting in a pressure of £0.041m, of which £0.331m has been requested to be carried forward to 2020/21.

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 £0.066m.

#### Portfolio expenditure

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

Portfolio	Revised Budget £000s	Actual £000s	Reported Carry forward to 2020 /21 £000s	Net Variance £000s	P14 changes to General Fund Balances £000s
Growth & Investment	2,956	2,914	38	(4)	-
Environment & Public Realm	7,673	7,650	243	220	1
Communities and Homes	2,158	1,967	42	(149)	-
Corporate Resources	1,051	1,004	8	(39)	4
Executive Director	1,952	1,965	-	13	-
Net Portfolio Expenditure	15,790	15,500	331	41	5
Net cost of borrowing and Investment Income	375	244	-	(131)	-
Minimum Revenue Provision	1,552	1,560	-	8	-
Other corporate items	(2,550)	(2,540)	-	10	1
Total Reported Net Revenue Expenditure	15,167	14,764	331	(72)	6
Post outturn report adjustments	-	6	-	6	
Revised Net Revenue Expenditure	15,167	14,770	331	(66)	

The following provides an overview of the key variances;

- £0.220m pressure in Environment and Public Realm. This is largely due to the impact of reduced Car parking income in the town centre, some of which was the impact of free evening and weekend parking and increased Vehicle repair, haulage, recycling and agency costs within Waste Services.
- (£0.149m) in Communities and Homes of following the reduction in B&B/Temporary Accommodation.
- (£0.039m) in Corporate Resources from increased income and staffing vacancies within the Revenues team.

#### Corporate Items, Income and Reserve Transfers

Of this, the main variance was Minimum revenue Provision (MRP) and net cost of borrowing (NCoB) which presented an underspend of (£0.123m) compared to budget. This is due to revisions in the use of cash-backed balances and more favourable interest rates prior to recent cuts in Bank Rate.

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

	Revised Budget £000s	Actual £000s	Variance £000s
Total Net Revenue Expenditure	15,167	15,101	(66)
Retained Business Rates	(6,143)	(6,777)	(634)
Council Tax	(7,943)	(7,943)	-
New Homes Bonus Grant	(2,141)	(2,141)	-
Other Grants	(322)	(299)	22
Collection Fund	-	-	-
<b>Total Corporate Income</b>	<b>(16,548)</b>	<b>(17,160)</b>	<b>(612)</b>
Carry forward from 2019/20	(125)	(125)	-
Contribution to Budget Stability Reserve	256	256	-
Contribution to Business Rates Equalisation Reserve	1,838	2,472	634
Transfer from GF Balances	(588)	(588)	-
<b>Total Transfers to/from Corporate Reserves and Balances</b>	<b>1,381</b>	<b>2,015</b>	<b>634</b>
<b>NET POSITION</b>	<b>0</b>	<b>(44)</b>	<b>(44)</b>

#### General Fund Balances

The previous table shows that the final position was an underspend of (£0.044m) which includes £0.006m of increased expenditure from the reported position of £0.050m. After accounting for the budgeted £0.588m contribution from the General Fund, to fund in-year budget adjustments and pressures. In line with the risk assessment undertaken £0.541m was then moved from the business rate equalisation reserve to provide assurance against the assessed risks over the medium term. See section 9 for a more detailed review of our reserves position



### Corporate Savings

The corporate savings target totalled £0.343m in 2019/20 with the following key savings contributing to the achievement of this:

- Salary Savings through vacancies during the year of £0.177m. These have mainly existed within Communities and Homes and Environment and Public Realm.
- Other corporate savings within Net cost of borrowing and Insurance reserves totalling £0.110m
- Other ad-hoc savings of £0.056m across the services.

### Collection Fund

#### Council Tax

The amount credited to the General Fund in 2019/20 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 2019/20 the actual cash position for council tax was an overall surplus of £0.604m. 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 £0.68m and this will be credited to the General Fund budget in 2021/22.

#### Business Rates

The Council sets its business rates budget for 2019/20 based on the NNDR1 form that was submitted to Government on 21 January 2019. It was forecast that the Council would collect £48.800m of business rates in 2019/20, of which Rugby Borough Council would retain £6.269m

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 £1.785m compared to the 2019/20 budget. This deficit arose in 2019/20 because the financial benefits from growth were lower than estimated and there have been additional mandatory reliefs claimed that do not receive any compensation grant. There was also an increase in the appeal provision, with our share increasing from £5.222m to £5.386m. Our share of the deficit is £0.714m and this will be charged to the General Fund budget in 2021/22 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 £0.174m levy that we paid to Government was less than budgeted, resulting in a favourable 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 £3.259m is therefore also offset by a pooling gain and in 2019/20 we gained £0.629m 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 2019/20 was higher than estimated and resulted in an in-year surplus of £0.633m, which has been transferred to the Business Rates Equalisation reserve to offset the £0.714m deficit that will be factored into the budget for 2021/22.

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 2019/20 cash performance was adverse.
- This positive variance of £0.633m has been transferred to the Business Rates Equalisation reserve.
- The actual deficit on collection in 2019/20 will be charged to the General Fund budget in 2021/22, met by the Business Rates Equalisation Reserve.

The following table details the outturn position and our share of the year end surplus of £0.633m 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)	(21,025)	(21,025)	-
Less Tariff	13,050	13,060	10
Gross Amount Retained	(7,975)	(7,965)	10
Section 31 Grants	(1,527)	(1,568)	(41)
Levy Payment	3,433	3,259	(174)
Coventry and Warks BR Pool Income	(200)	(629)	(429)
Net Retained Income	(6,269)	(6,903)	(634)
Levy 2018-19 reconciliation payment	-	1	1
Total Business Rates Income	(6,269)	(6,902)	(633)

### Housing Revenue Account

The original reserve assessment approved in February 2019 recommended maintaining HRA balances at £5.085m, to mitigate the impact of the 1% rent reduction instigated by Government for the period 2016/17 to 2019/20 and to prepare for the potential pressures concerned with the redevelopment or repair of Biart Place. The following table shows how the actual expenditure and income compared to the revised budget:

	Revised Budget £000s	Actual £000s	Variance £000s
Expenditure	11,880	12,852	972
Income	(17,006)	(16,395)	611
Net cost of HRA Services	(5,126)	(3,543)	1,583
Corporate items	5,126	3,543	(1,583)
Surplus (-) / Deficit for year	0	0	0

In overall terms HRA revenue balance remained at £5.085m at 31 March 2020.

The variance on expenditure mainly relates to the difference in estimated and actual depreciation charges which are offset by a contribution from the Major Repairs Reserve within Corporate Items. The variance on income mainly relates to the loss of rent at Rounds Gardens where the decant of tenants commenced in 2019/20 following the setting of original budgets. At outturn the Council approved the diversion of resources originally set aside for the repayment of debt (£4.059m) to Revenue Contributions to Capital Expenditure to bolster Capital Investment Balances ahead of the commencement of works at Biart Place.

The HRA also held £14.765m in Capital Investment Balances, £0.668m in the Housing Repairs Account and £0.212m in the Sheltered Accommodation earmarked reserve at 31 March 2020, in addition to £2.190m 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 £11.519m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget £000s	Actual £000s	Slippage into 2020/21 £000s	Variance £000s
Corporate Resources	22,512	9,219	(12,423)	(870)
Growth & Investment	-	19	-	19
Environment & Public Realm	3,224	982	(2,886)	644
Communities & Homes	1,789	1,299	(475)	(15)
	27,525	11,519	(15,784)	(222)

In total, £3.380m of the reported slippage relates to budgets approved for the decant, demolition, and design fees for the redevelopment of the Biart Place and Rounds Gardens sites. A further £8.495m relates to HRA/Housing Acquisition Fund property developments which are planned for completion in 2020/21. Some of the main reasons for the remaining budget slippage of £3.909m were:

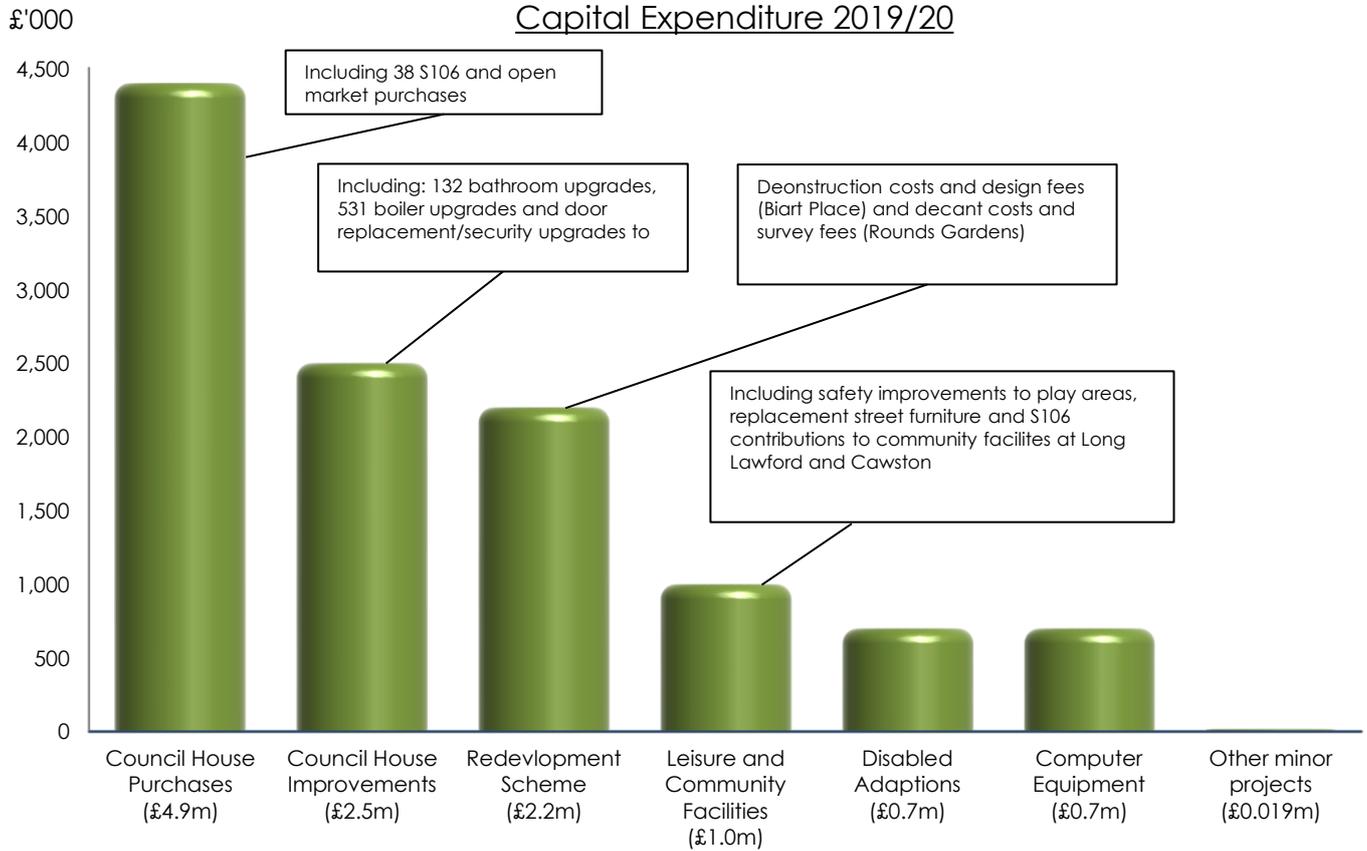
- Slippage relating to the Purchase of Vehicles scheme (£1.959m) to reflect delays in delivery of refuse freighters and vans (expected summer 2020);
- Slippage relating to Rainsbrook Crematorium (car park development) and Cemetery (groundworks) projects (£0.406m);
- Slippage relating to Whinfield Recreation Ground Play Area, Rokeby Play Area and Whinfield Recreation Ground Bandstand (£0.301m) following consultation delays during the General Election purdah period; and
- Slippage relating to Housing Management System scheme (£0.331m) to 2020/21 to reflect profiling of implementation of new modules.

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

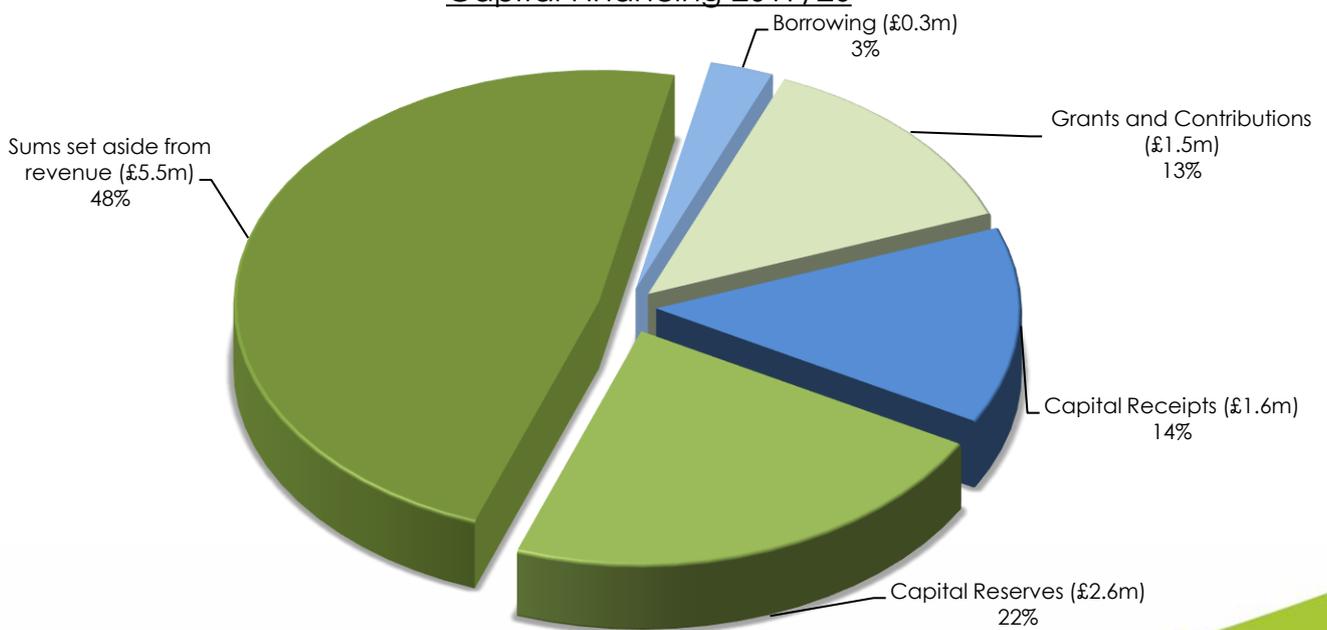
### Capital Receipts and Capital Grants

At 31 March 2020, the Council also held £9.646m of capital receipts (HRA: £7.582m General Fund: £2.064m) and £0.889m capital grants and contributions that had not yet been applied for financing expenditure. In 2019/20, £2.009m of receipts (net of pooling payments) were raised from the sale of 25 HRA properties under Right-to-Buy. Further information on capital financing can be found in Note 20.

### Capital Expenditure 2019/20



### Capital Financing 2019/20



### Pension Fund

The Accounts show that the Pension Fund now has a deficit of £42.787m. This is a reduction in the deficit of £7.905m 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 17 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 2019/20, earlier years, and for future years. The total currently stands at £155.701m (both short and long-term borrowing) as shown on the balance sheet.

## 8. Future Financial Outlook and Financial Resilience

### The 2020/21 budget

The 2020/21 General Fund revenue budget was approved on 25 February 2020 and totalled £17.435m.

The Council successfully delivered a balanced budget which included difficult key decisions to close the initial budget gap reported in October 2019 of £0.762m. *This budget was set before the Coronavirus pandemic so there was no reference to the likely impact on the medium term finances, however the significant challenge of the pandemic will have an impact on our ability to deliver all the proposals that were approved*

The section below sets out the significant income and expenditure items included in the 2020/21 budget:

- (£0.570m) Income proposals which includes the impact of increased fees and charges alongside stretched income targets to reflect the anticipated growth in the local economy and commitment to cost recovery of services.
- (£0.150m) saving Prepayment of Pension Liability through the Actuary for the period 2020/21 to 2022/23
- (£0.140m) representing year 2 of the 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 temporary accommodation. This is expected to continue with the delivery of further savings in future years totalling £0.157m by 2022/23..
- £1.726m 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.
- £0.500m set aside from existing reserves to create a Climate Emergency Reserve
- £0.440m set aside for revenue contributions for Capital Outlay (RCCO)
- £0.200m To incentivise growth and footfall in the town centre, create a business start up fund which enhances the existing Business Support Programme and will award grants to support new independent retailers to have a presence in the town centre. The aim of this fund is to encourage start up and artisan retailers to choose Rugby town centre as a destination choice for business.
- £0.150m to enhance the Town Centre, to be met from the additional business rate income the Council is budgeting to receive in 2020/21 from the Elliott's Field Retail Park (Phase 1) and Junction 1 Retail Park. However, £0.100m has been used to continue the offer of free town centre parking for evenings and weekends.



We have seen continued growth during 2019/20 in retained business rates income and with £6.318m currently estimated to be retained in 2020/21, which is at a similar level to funding budgeted in 2019/20.

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 172 homes delivered each year. Funding from this scheme is £2.382m in 2020/21, an increase of £0.241m compared to 2019/20.

After taking all the previous adjustments in to account, in addition to other corporate adjustments, the 2020/21 budget was balanced with Council approving a £5 increase in the Band D equivalent council tax, which is in line with the maximum permitted as published in the final settlement .

However, despite successfully producing a balanced budget for 2020/21, the medium term financial plan identifies budget shortfalls over the forthcoming years in anticipation of financial reform by central Government in 2021.

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 2020-24 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 25 February 2020 is illustrated in the table below

	2020/21 £000s	Full Reset		
		2021/22 £000s	2022/23 £000s	2023/24 £000s
BASE BUDGET bf including Corporate Adj.	16,506	17,435	13,467	13,819
Growth Requirements	1,139	542	551	710
Other Corporate Adjustments	303	(193)	28	(212)
Savings and Income	(1,007)	(345)	23	-
Key Decisions and Budget Resolution	247	(255)	0	-
<b>Savings to be Found</b>	<b>-</b>	<b>(1,711)</b>	<b>(538)</b>	<b>(743)</b>
Emergency Climate Reserve - New	500	(500)	-	-
Movement in Reserves	(253)	(1,506)	288	50
Revised Budget Requirement	17,435	13,467	13,819	13,624
<b>Financed by:</b>				
Government Funding	(2,638)	(1,310)	(968)	(299)
Council Tax	(8,479)	(8,778)	(9,183)	(9,607)
Business Rates including Damping	(6,318)	(3,379)	(3,668)	(3,718)
Collection Fund Surplus/Deficit BRR	734	-	-	-
Transfer from BRR reserve	(734)	-	-	-
Total Funding Requirement	(17,435)	(13,467)	(13,819)	(13,624)
Net Variance	0	0	0	0

This showed a balanced budget for 2020/21, but an estimated deficit of £1.711m in 2021/22 which reflects the estimated impact of the business rates reset, assumed growth and no further NHB rewards.

In addition, there is an assumption there will be no change to the Settlement Funding Assessment and the 100% baseline reset will be re-evaluated based on the level of business rates in 2019/20. Whilst it is assumed any growth achieved after this date will be retained, this amount continues to be a budgeted contribution to reserves.

In particular, the plan assumes a total of £1.964m from additional business rates growth for 2019/20 rising to £2.481m in 2020/21 which will be excluded from the net budget requirement. This will taper the net budget reductions caused by the reset and go some way to help prevent a cliff-edge drop in the estimated net budget at 2021/22.

However, it needs to be noted that there will be a delay in the delivery of the Fair Funding review because of the Coronavirus Pandemic and at this point little is known about any anticipated changes to the implementation of the Business rates reset or continuation of the New Homes Bonus Grant.

The following table shows how the funding for Business Rates would be allocated over the medium term, with a proportion of business rates included in the base budget and remaining growth contributed to reserves.

Detailed Business Rates funding – 100% Baseline Reset	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Settlement Funding Assessment (SFA)	(2.418)	(2.349)	(2.372)	(2.396)
Sustainable baseline Business rates growth above the Settlement Funding Assessment (SFA) funding level	(0.500)	(0.569)	(0.546)	(0.522)
Business rates growth above the sustainable baseline	(3.200)	(0.461)	(0.750)	(0.800)
Business rates pooling dividend	(0.200)	-	-	-
<b>Total Retained Income</b>	<b>(6.318)</b>	<b>(3.379)</b>	<b>(3.668)</b>	<b>(3.718)</b>

The table above shows that;

- SFA income across the MTFP is assumed to remain relatively flat, at an average £2.384m. The Fair Funding Review will be focussing on this area of funding for all authorities which presents a risk to the Council if the assessment of needs is reduced.
- Following the 100% baseline reset it is assumed that there will be a significant reduction in the proportion of growth that the authority retains. With total forecast growth dropping from £3.700m in 2020/21 to £1.030m in 2021/22 and an overall business rates funding level to assume a baseline of £2.918m for future years.
- The Council continues to contribute to the BRER with business rates growth above the sustainable baseline.

### 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 since

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.

## 9. 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 5 on page 20 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, to be unprepared for a negative outcome scenario at a time of such uncertainty as detailed earlier in this document, alongside the risks identified following Coronavirus plus Central Government policy to deal with the recovery from the pandemic which is expected to be included in the next Comprehensive Spending Review.

Furthermore as Rugby has been 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 but also identify where there is there could be challenges to maintain balances 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.

Prior to the expected financial impact of Coronavirus, our plans showed that over the medium term we were 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, have allowed 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
- fund the currently assumed one off impact of the Coronavirus pandemic and help boost the economic recovery

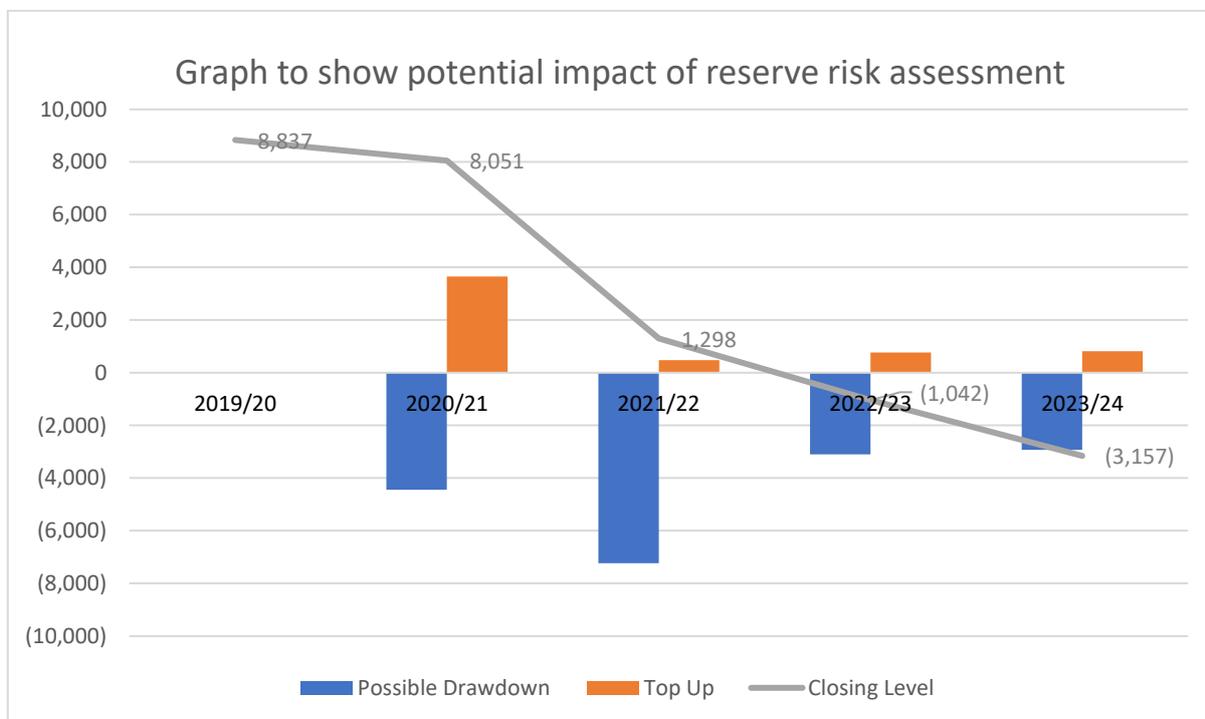
We will continue to look at opportunities to use the budget stability reserve to invest in new ways of working to deliver ongoing value for money. In addition, by holding cash the Council will benefit in terms of reduced running costs by being able to:

- 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

### Total General Fund Earmarked Reserves

At 31 March 2020 the Council had total earmarked General Fund reserves of £9.753m, an increase of £1.809m from 2019/20. The table below identifies the potential expected shortfall if all risks identified crystallise, this includes Coronavirus costs as well as other potential risks



### 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. In 2019/20 £0.350m was contributed to the reserve of which £0.256m was budgeted for in February 2019 the remaining balance included surplus planning income above target, taking the balance to £2.495m at 31 March 2020.

### Business Rates Equalisation Reserve

This reserve was established to mitigate fluctuations in the business rates base and resultant income. In 2019/20 we budgeted to make a net contribution of £1.838m to this reserve and were able to top this up further at year end by £0.634m. As part of the year end risk assessment, £0.541m has then been transferred to this reserve from General Fund balances.

### Carry Forward Reserve

This was introduced 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 2019/20, £0.331m has been added to this reserve and the amount brought forward and used in 2019/20 from 2018/19 was £0.125m.

### Housing Revenue Account – Biart Place and Rounds Gardens

Prior to 2019/20 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. As at April 2020 135 flats had been vacated.

In respect of Biart Place, the total estimated cost of a new development scheme is in the region of £25m, 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 £28m.

A capital programme of this scale will place pressure on the HRA's financial resources. At the end of 2019/20 £14.765m is available in HRA Capital Investment Balances, of which £5.647m is already allocated to the decant, deconstruction 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.£120m in 2023/24. 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 final 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 and other agencies including Homes England and the West Midlands Combined Authority. However, the magnitude and likelihood of any support is uncertain.

### **Financial Resilience Conclusion**

A balanced draft General Fund revenue budget has been presented for 2020/21. However, due to the current challenging financial environment further savings still need to be identified in order to deliver a balanced budget across the medium term. As well as the medium term impact of Coronavirus, the high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2021/22 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. Coronavirus Pandemic**

Although the Coronavirus pandemic will have an impact on the medium term financial plan, due to the timing of the outbreak the financial impact on 2019/20 was limited to a cost of £0.004m

The outbreak has required the Council to adapt quickly to ensure the continuation of vital services that both residents and local businesses rely upon. The Council's Senior Management Team initiated an emergency response structure consisting of strategic and tactical teams before the Local Resilience Forum declared an emergency. This significant challenge has resulted in different ways of working, communication, innovation, and overall resilience. Some examples of this include;

### **Foodbank**

The Council agreed to take over the temporary running of the foodbank and has;

- Worked with local supermarkets, businesses, community organisations and individuals to receive over 25,900 kg of donations of food, drinks and toiletries
- Given out over 10,500 kg of donations (503 food parcels) to local residents in need, including delivering 95 of those food parcels to residents who are unable to leave their homes
- Worked with the Shielding Hub and Rugby St Cross to re-distribute 704 kg of donations to where they are most needed most

### **Shielding Hub**

The Shielding Hub has been established to support those defined by Government as most medically vulnerable to the effects of Coronavirus and who have actively registered as being in need of support to secure food deliveries. The food deliveries made to local vulnerable residents via the hub is intended as a short-term response to the immediate issue of securing food.

### **Refuse Collection Services**

The Council has been able to maintain its Refuse Collection Services. This has been through the following of national guidelines and the continued cooperation, hard work and resilience of staff.

### **Community Advice and Support Team**

The Community Advice and Support Team have seen a dramatic increase in the number of clients that have had to be provided with temporary accommodation in a very short period. The Government requested that all rough sleepers should be provided with accommodation, and accommodation has been provided for all those who were accommodated by the Winter Night Shelter, our own Cold Weather Support Project or those who were still rough sleeping and had refused previous offers of accommodation. In addition to the provision

of accommodation, they have also been provided with meals to encourage them to remain in the accommodation provided.

### **Housing**

The Council has contacted all of our Independent Living Tenants and replaced home visits with telephone calls, gathering essential data to ensure that the most vulnerable tenants needs are being met and making appropriate referrals for support where necessary.

### **Homelessness and Public Health Strategic Cell**

The Head of Communities and Homes has been leading Rugby's response with regards to people that are homeless and are at high-risk population for Coronavirus. The Group has also been responding to particular challenges within communal housing settings where there is potential for explosive spread of Coronavirus.

The true extent of the financial impact of the pandemic is still to be fully established, but the key implications include;

- the significant reduction of fees and charges as a result of the majority of our chargeable services ceasing during the period of lockdown and with an expected phased return to "normal"
- additional costs including;
  - supporting our homeless residents to have appropriate accommodation in order to shield during period of lockdown
  - providing key workers with sufficient personal protective equipment to deliver vital services to our residents
- a reduction in the collection rates for both business rates, which could impact on both 2020/21 and future years
- a reduction in the collection rates for council tax

The pandemic has had a major impact on Rugby as a borough

- Universal Credit claimants increased from 1,535 in March 2020 to 2,730 in April 2020.
- Of the 4000 jobs in the tourism sector in Rugby, there has been a reduction of approximately 1,500.
- 26% of total employment has been affected (12,500 jobs)
- Across the West Midlands – 70% of small employers have furloughed their staff & 1/3<sup>rd</sup> are / may be made redundant.
- Economic forecast – sharp fall & slow recovery of at least two years
- Rugby borough is ranked 13<sup>th</sup> out of 383 local authorities most negatively affected by the pandemic (GVA reduction)

As mentioned in section 8 the 2020/21 budget was produced and approved before the outbreak of the virus in the UK which means that there is no reference to the financial impact.

Although Central Government has provided emergency funding of £1.121m it is expected that a significant contribution from Corporate reserves will be required to fund the significant costs expected as a result of the pandemic

The reserve risk assessment (section 9) includes all potential Coronavirus costs as well as other risks facing the authority, if all materialise then the authority will exhaust all reserve balances by March 2023 – The authorities strategy to maintain general fund balances, budget stability reserve and also to transfer any business rates growth above the baseline to mitigate against the cliff edge drop in funding as part of the reset has been

beneficial in being able to support the one off costs of the pandemic. With these reserves now projected to be used, the challenge for the authority will be to plan ahead for other potential funding risks.

To aid the Council's response, the Corporate Strategy 2017-2020 has been extended for a further year and will migrate into a recovery strategy. The organisation is producing a recovery plan which will identify the steps required. This will include medium term financial planning as part of the 2021/22 budget setting process.

## 11. Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2020. 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 2019/20 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.

## **12. 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 Financial Services Manager and Interim 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.

#### Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief 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.

#### 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 2020 and its expenditure and income for the year then ended.

**Jon Illingworth**  
**Interim Chief Financial Officer**

Date 10 November 2020

#### 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 10 November 2020

## 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 2019				31 March 2020		
Exp £000s	Inc £000s	Net £000s		Exp £000s	Inc £000s	Net £000s
5,639	(2,409)	3,230	Growth and Investment	5,829	(2,714)	3,115
11,912	(5,112)	6,800	Environment and Public Realm	13,201	(5,564)	7,637
19,672	(17,269)	2,403	Communities and Homes - General Fund	18,555	(15,607)	2,948
15,454	(17,089)	(1,635)	Communities and Homes - HRA	16,731	(16,395)	336
1,811	(519)	1,292	Corporate Resources	2,806	(966)	1,840
1,977	(169)	1,808	Executive Directors Office	2,408	(394)	2,014
<b>56,465</b>	<b>(42,567)</b>	<b>13,898</b>	<b>Cost of Services</b>	<b>59,530</b>	<b>(41,640)</b>	<b>17,890</b>
1,302	(130)	1,172	Other Operating Expenditure (Note 13)	1,301	(181)	1,120
3,304	(1,079)	2,225	Financing and Investment Income and Expenditure (Note 14)	3,769	(1,246)	2,524
-	(17,264)	(17,264)	Taxation and N on-specific Grant Income (Note 15)	-	(17,222)	(17,222)
<b>61,071</b>	<b>(61,040)</b>	<b>31</b>	<b>Subtotal Income and Expenditure (Note 11)</b>	<b>64,600</b>	<b>(60,289)</b>	<b>4,312</b>
		<b>31</b>	<b>Surplus (-) / Deficit on Provision of Services</b>			<b>4,312</b>
		(3,202)	(Surplus) / Deficit on revaluation of property, plant and equipment assets (Note 21)			(9,376)
		7,116	Remeasurement of the net defined benefit liability/ (asset) (note 35)			(12,144)
		<b>3,914</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>(21,520)</b>
		<b>3,945</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>(17,208)</b>

## 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 11 and 12.

2019/20	General Fund (GF) Balance £000s	Housing Revenue Account (HRA) Balance £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 2019	(10,197)	(22,119)	(8,941)	(2,544)	(793)	(44,594)	(126,613)	(171,207)
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	3,057	1,255	-	-	-	4,312	(21,520)	(17,208)
Adjustments between accounting basis and funding basis under regulations	(4,864)	135	(705)	355	(96)	(5,175)	5,175	0
(Increase) or Decrease in 2019/20	(1,807)	1,390	(705)	355	(96)	(863)	(16,345)	(17,208)
<b>Balance at 31 March 2020 carried forward</b>	<b>(12,004)</b>	<b>(20,729)</b>	<b>(9,646)</b>	<b>(2,189)</b>	<b>(889)</b>	<b>(45,457)</b>	<b>(142,958)</b>	<b>(188,415)</b>

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

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 Authority 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>

## 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 2019 £000s	Balance Sheet	Notes	31 March 2020 £000s
234,967	Property, Plant and Equipment	17	243,430
21,934	Heritage Assets	23	21,347
723	Investment Property	18	740
391	Intangible Assets		352
16,977	Long Term Investments	37	30,580
52	Long Term Advances	25	49
130	Long Term Debtors	26	120
<b>275,174</b>	<b>Long Term Assets</b>		<b>296,618</b>
51,970	Short Term Investments	37	86,163
3,107	Assets Held for Sale	19	2,988
196	Inventories		171
7,361	Short Term Debtors	26	7,772
1,032	Cash and Cash Equivalents	28 /37	17,502
<b>63,666</b>	<b>Current Assets</b>		<b>114,596</b>
(29,548)	Short Term Borrowings	37	(59,213)
(13,046)	Short Term Creditors	27	(14,385)
(1,303)	Short Term Provisions	40	(913)
<b>(43,897)</b>	<b>Current Liabilities</b>		<b>(74,511)</b>
(3,968)	Long Term Provisions	40	(4,473)
(64,509)	Long Term Borrowing	37	(96,488)
(50,692)	Pension Liability Account	36	(42,787)
(4,567)	Capital / Revenue Grants Receipts in Advance	16	(4,540)
<b>(123,736)</b>	<b>Long Term Liabilities</b>		<b>(148,288)</b>
171,207	Net Assets		188,415
(44,594)	Usable reserves	MiRS	(45,457)
(126,613)	Unusable reserves	MiRS	(142,958)
(171,207)	Total Reserves		(188,415)

Signed	Jon Illingworth	Date	10 November 2020
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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 2019 £000s		Notes	31 March 2020 £000s
(31)	Net surplus or (deficit) on the provision of services		(4,312)
14,563	Adjustment to surplus or deficit on the provision of services for noncash movements		12,692
330	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities		(4,814)
<b>14,862</b>	<b>Net Cash flows from Operating Activities</b>	<b>29</b>	<b>3,566</b>
(28,314)	Net Cash flows from Investing Activities	30	(52,647)
(3,239)	Net Cash flows from Financing Activities	31	65,550
<b>(16,690)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>16,469</b>
17,723	Cash and cash equivalents at the beginning of the period	28	1,033
1,033	Cash and cash equivalents at the end of the reporting period	28	17,502

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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 (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 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 34 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**

As a direct result of the Coronavirus pandemic, the adoption of IFRS 16 Leases has been deferred by a year and will now become effective from 1 April 2021. 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.

It is not anticipated to have a significant 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.

### IAS 19 Employee Benefits

This will require the remeasurement of net pension liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

### 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.

### 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	The outbreak of Coronavirus was declared as a global pandemic on 11 March 2020 and has impacted on global financial markets. As a result of this all in year valuations conducted by the Council's valuers have been reported on the basis of material uncertainty. The Material Valuation Uncertainty Forum has been set up by the Royal Institution of Chartered Surveyors (RICS) to consider the unique events relating to the pandemic and its impact on valuations, with a focus on financial reporting and measures for the accurate consistent reporting of material uncertainty. This forum has not given a date as to when it might be possible to review valuations, but in the valuer's opinion the earliest a meaningful review could be conducted would be December 2020. Valuations will be kept under review in line with the guidance provided by the RICS Forum.	The value of Property, Plant and Equipment and Investment Properties will be subject to review, so there may be changes to the values in the Balance Sheet as at 31 March 2021.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Financial instruments	<p>The Council holds £6.000m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings. As noted under Property, Plant, and Equipment above, the onset of the Coronavirus pandemic left valuers short of data on which to provide confident fund valuations from April 2020 onwards. Where fund managers have been unable to be sure that prices reflected the true balance of interest of both investors and those wishing to deal, transactions have been suspended in those funds. This is the case for the funds held by the Council. It is anticipated that market valuations reflecting true operating conditions will resume in Q2 or Q3 2020.</p>	<p>The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet as at 31 March 2021. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The Council uses the statutory override introduced by MHCLG in 2018/19 to transfer these gains/losses to the Financial Instruments Revaluation Reserve.</p>
Events after the reporting date	<p>At 31 March 2020 the additional costs and the loss of income associated with the Coronavirus pandemic were minimal at £0.004m At this stage it is assumed that in 2020/21 these costs will be funded from a combination of central government funding and reserve balances</p>	<p>If the financial impact rises and central government funding does not increase in line with this the council may need to accelerate the use of held reserves to support cash flow and mitigate against the pressures faced</p>
Provision for Business Rate Appeals	<p>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.</p>	<p>Following a comprehensive assessment of the outstanding business rates appeals at 31 March 2020, a total provision of £13.465m was made for potential future appeal refunds. Rugby Borough Council's 40% share of this provision is £5.386m. The effect of a change in the provision is as follows:</p> <p>25% higher/lower: £1.35m 50% higher/lower: £2.69m</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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.</p> <p>During 2019/20 the updating of assumptions by the Council's actuaries has led to a reduction in the net pension liability of £7.905m. The net liability includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and GMP cases which relate to age discrimination within the Judicial &amp; Fire Pension schemes respectively. The Council's actuaries have reviewed the Guaranteed Minimum Pension (GMP) Equalisation ruling but have determined that no adjustments are required for this. Further details on the net pension liability are given in Note 35 -Pension Costs</p>	<p>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 £12.954m. 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.</p> <p>A sensitivity analysis upon other variables affecting the net liability is set out in Note 35 Pension Costs.</p>

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.

There are no such adjustments for 2019/20

## Note 7. Officers Remuneration

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	2019/20	99,300	20	-	19,070	118,390	
	2018/19	97,350	1,490	-	18,690	117,530	
Head of Communities & Homes	2019/20	71,980	-	-	13,820	85,800	
	2018/19	70,570	-	-	13,550	84,120	
Head of Corporate Resources	2019/20	71,980	-	-	13,820	85,800	
	2018/19	70,570	-	-	13,550	84,120	
Head of Environment & Public Realm	2019/20	71,980	-	-	13,820	85,800	
	2018/19	69,920	-	-	13,420	83,340	
Head of Growth & Investment	2019/20	69,350	-	-	13,320	82,670	
	2018/19	32,710	-	-	6,280	38,990	1

Senior Officers served for the whole of 2019/20 and 2018/19 unless as stated:

1. The Head of Growth & Investment (B) was appointed to the post on the 1 October 2018.

The number of other Council's employees receiving more than £0.050m remuneration for the year (excluding employer's pension contributions) is shown in the table below.

Remuneration Band	2018/19 Number of employees	2019/20 Number of employees
£50,000 - £54,999	-	1
£55,000 - £59,999	1	-
£60,000 - £64,999	-	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-

### Exit Packages

Exit packages 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 8 employees in 2019/20, incurring liabilities of £0.097m (£0.102m in 2018/19). 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 (£)	2019/20 (£)
£0 - £20,000	-	-	4	7	4	7	30,900	73,240
£20,001 - £40,000	-	-	1	1	1	1	27,510	24,070
£40,001 - £60,000	1	-	-	-	1	-	43,870	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>102,280</b>	<b>97,310</b>

### Note 8. Members' Allowances

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

2018/19 £000s		2019/20 £000s
345	Allowances	353
6	Employers' National Insurance	6
12	Expenses	8
<b>363</b>	<b>Total</b>	<b>367</b>

## Note 9 – Expenditure and Funding Analysis

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.

	2019/20				
	Amounts Reported 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	2,952	(885)	2,066	1,049	3,115
Environment and Public Realm	7,893	(2,054)	5,839	1,797	7,637
Communities and Homes General Fund	2,009	(227)	1,782	1,166	2,948
Communities and Homes HRA	(3,578)	(3,262)	(6,840)	7,176	336
Corporate Resources	1,012	(142)	870	970	1,840
Executive Directors Office	1,965	(82)	1,883	131	2,014
Net Cost of Services	12,253	(6,651)	5,601	12,289	17,890
Other Income and Expenditure	(12,303)	6,285	(6,018)	(7,560)	(13,578)
(Surplus) or Deficit	(50)	(367)	(417)	4,729	4,312
Opening General Fund and HRA Balance			(32,316)		
Plus (Surplus) or Less Deficit on General Fund and HRA Balance in Year			(417)		
Closing General Fund and HRA Balance at 31 March			(32,733)		

2018/19					
	Amounts Reported 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 include the amounts reported to Cabinet in the 2019/20 Finance and Performance year-end report on 1 June 2020. There were some minor changes to the general fund which results in a general fund balance of £2.250m. The overall surplus of £0.417m represents the following overall changes:

	Opening Balance at 31 March 2019	Management Outturn	Post Outturn Adjustment	Transfers to and from reserves	(Surplus) or Deficit	Closing Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s
General Fund	(2,253)	538	6	(541)	3	(2,250)
Other General Fund Earmarked Reserves	(7,943)	-	-	(1,810)	(1,810)	(9,753)
Housing Revenue Account	(5,086)	-	-	-	-	(5,086)
Other HRA Earmarked Reserves	(17,034)	-	-	1,390	1,390	(15,644)
<b>TOTAL</b>	<b>(32,316)</b>	<b>538</b>	<b>6</b>	<b>(961)</b>	<b>(417)</b>	<b>(32,733)</b>

### Management Accounting Adjustments

A total of £0.367m management accounting adjustments in Note 9 are the items which are reported to management but do not impact on the usable reserves 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 11.

### 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.

## Note 9a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20				
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	704	345	-	1,049
Environment and Public Realm	911	886	-	1,797
Communities and Homes General Fund	675	491	-	1,166
Communities and Homes HRA	6,726	450	-	7,176
Corporate Resources	283	687	-	970
Executive Directors Office	-	131	-	131
<b>Net Cost of Services</b>	<b>9,299</b>	<b>2,990</b>	<b>-</b>	<b>12,289</b>
Other income and expenditure from the Expenditure and Funding Analysis	(9,285)	1,249	476	(7,560)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>14</b>	<b>4,239</b>	<b>476</b>	<b>4,729</b>

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>

### 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 10. Expenditure and Income Analysed by Nature

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

	2018/19 £000s	2019/20 £000s
<b>Expenditure</b>		
Employee benefits expenses	18,779	21,276
Other service expenses	27,920	27,666
Depreciation, amortisation, impairment	9,770	10,587
Interest payments	2,183	2,520
Net interest on the net defined benefit liability	1,121	1,249
Precepts and levies	761	809
Payments to housing capital receipts pool	493	493
Loss on the disposal of assets	44	0
<b>Total expenditure</b>	<b>61,071</b>	<b>64,600</b>
<b>Income</b>		
Fees, charges and other service income	(11,082)	(11,727)
HRA dwelling rents	(15,540)	(15,172)
Interest and investment income	(1,079)	(1,246)
Income from council tax, non-domestic rates	(12,260)	(12,898)
Government grants and contributions	(20,952)	(19,064)
Gain on disposal of assets	(126)	(181)
<b>Total income</b>	<b>(61,040)</b>	<b>(60,288)</b>
(Surplus) or Deficit on the Provision of Services	31	4,312

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 follows a full council housing stock valuation exercise in 2019/20
- 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 partial decant of properties at the Rounds Gardens site

## **Note 11. 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.

2019/20	Usable Reserves				
	General Fund Balance £000s	HRA £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s
<b>Amounts involving the Capital Adjustment Account</b>					
Depreciation of non-current assets	(1,994)	(3,200)	-	-	-
Revaluation movements and impairments on non-current assets, charged to the CIES	60	(3,469)	-	-	-
Movement to the fair value of investment properties	17	-	-	-	-
Amortisation of intangible assets	(647)	(57)	-	-	-
Capital grants and contributions applied	1,284	237	-	-	-
Revenue expenditure funded from capital under statute	(1,280)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(148)	(2,444)	-	-	-
<b>Insertion of items not debited or credited to the CIES</b>					
Statutory provision for the financing of capital investment	1,560	-	-	-	-
Capital expenditure charged against revenue balances	487	5,148	-	-	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>					
Interest credited to Section 106s	5	-	-	-	(5)
Capital grant and contributions unapplied credited to the CIES	93	-	-	-	(93)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	3
<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	252	2,521	(2,773)	-	-
Use of the reserve to finance new capital expenditure	-	-	1,578	-	-
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	31	-	-	(31)	-
Reversal of Major Repairs Allowance credited to the HRA	-	2,075	-	(2,075)	-
Use of the reserve to finance new capital expenditure	-	-	-	2,460	-
<b>Adjustments involving the Pension Reserve</b>					
Reversal of items relating to retirement benefits	(5,926)	(1,111)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,363	435	-	-	-
<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	(253)	-	-	-	-
<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	-	-	-	-	-
<b>Adjustment primarily involving the Financial Instruments Reserve</b>					
Reversal of items relating to financial instruments revaluation	(276)	-	-	-	-
<b>Total Adjustments</b>	<b>(4,864)</b>	<b>135</b>	<b>(702)</b>	<b>355</b>	<b>(96)</b>

2018/19	Usable Reserves				
	General Fund Balance £'000s	HRA £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'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>

## Note 12. 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 2019/20.

	31 March 2019	Transfers Out	Transfers In	Transfers within	31 March 2020
	£000s	£000s	£000s	£000s	£000s
Budget Stability Reserve	(2,145)	98	(447)	-	(2,494)
Business Rates Equalisation Reserve	(1,716)	126	(2,597)	541	(3,646)
Section 106 (Developer) Contributions - Revenue	(1,153)	151	(149)	-	(1,152)
Revenue Grants & Contributions from Third Parties	(585)	332	(156)	-	(409)
Welfare Support Reserve	(500)	385	(324)	-	(439)
Town Centre Improvement Reserve	(325)	-	(2)	-	(327)
Works Services Unit Operational Reserve	(320)	320	-	-	0
Hall of Fame Licence Reserve	(300)	-	-	-	(300)
Carry forward Reserve	(125)	125	(332)	-	(332)
Other smaller reserves e.g. plant & equipment reserves	(774)	208	(88)	-	(654)
<b>Total General Fund Earmarked Reserves</b>	<b>(7,943)</b>	<b>1,745</b>	<b>(4,096)</b>	<b>541</b>	<b>(9,753)</b>
Housing Repairs Account	(1,020)	4,122	(3,769)	-	(667)
Housing Revenue Account Capital Balances	(15,854)	5,148	(4,059)	-	(14,765)
Sheltered Accommodation	(160)	-	(52)	-	(212)
<b>Total HRA Earmarked Reserves</b>	<b>(17,034)</b>	<b>9,270</b>	<b>(7,880)</b>	<b>-</b>	<b>(15,644)</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>(24,977)</b>	<b>11,015</b>	<b>(11,976)</b>	<b>541</b>	<b>(25,397)</b>

### Earmarked Reserves

These accounts reflect the recommendations approved 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.



In 2019/20 the balance of the reserve was increased by £0.349m of which £0.256m was a budgeted contribution with the remaining net £0.093m coming from net in year benefits from monitoring.

#### 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. £1.838m was added to the reserve as planned during budget setting with a further £0.634m being added after the year end position was known. The Council's share of the Collection Fund deficit on collection of business rates for 2019/20 was £0.714m, the balance on this reserve can be used to fund this deficit when it is charged to the General Fund in future years.

#### 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 addresses the specific risks arising from service provision in this area, particularly homelessness and rough sleeping. This will create a single point of resilience for pressures which we anticipate and have included in the MTFP until we can fully implement our housing acquisition plans to reduce temporary accommodation costs.

#### 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 £1.200m. The Council has a four-year licence for the operation of the Hall of Fame which will end in 2020/21. This capital outlay will be financed by four £0.300m Minimum Revenue Provision (MRP) payments which began in 2017/18 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 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.

#### 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 13. Other Operating Expenditure

2018/19 £000s	Other Operating Expenditure	2019/20 £000s
761	Parish Council Precepts	808
493	Payments to the Government housing capital receipts pool	493
(11)	Other Income - Unattached Receipts	(123)
(71)	(Gains)/Losses on the disposal of non-current assets	(58)
<b>1,172</b>	<b>Total</b>	<b>1,120</b>

### Note 14. Financing and Investment Income and Expenditure

2018/19 £000s	Financing and Investment income and Expenditure	2019/20 £000s
2,183	Interest payable and similar charges	2,520
1,121	Net interest on the net defined benefit liability	1,249
(915)	Interest receivable and similar income	(1,455)
(50)	Income and expenditure in relation to investment properties and changes in their fair value	(66)
(114)	(Gain) / Impairment of Financial Assets	276
<b>2,225</b>	<b>Total</b>	<b>2,524</b>

The loss on financial assets in 2019/20 related to the fair value of financial instruments (note 37) being the valuation movement on the Council's pooled investment (property and diversified income) funds in year.

### Note 15. Taxation and Non-Specific Grant Income and Expenditure

2018/19 £000s	Taxation and Non Specific Grant Income	2019/20 £000s
(7,470)	Council Tax Income	(7,996)
(17,558)	Retained business rates	(17,962)
12,768	Business rates tariff payments	13,060
(4,117)	Non ring-fenced Government grants	(4,008)
(887)	Capital grants and contributions	(316)
<b>(17,264)</b>	<b>Total</b>	<b>(17,222)</b>

## Note 16. 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.

2018/19 £000s	Total Grants Credited to Taxation and Non-Specific Grant Income	2019/20 £000s
(153)	Revenue Support Grant	-
(2,106)	New Homes Bonus	(2,141)
(1,410)	Business Rates Section 31 Grants	(1,568)
(448)	Other Non-Specific Revenue Grants	(299)
<b>(4,117)</b>	<b>Revenue Grants</b>	<b>(4,008)</b>
(312)	Capital Grants Non-Conditional	-
-	Capital Section 106 Funding Non-Conditional	(59)
(525)	Capital Grants Conditional	(240)
(50)	Capital Section 106 Funding Conditional	(17)
<b>(887)</b>	<b>Capital Grants</b>	<b>(316)</b>
(5,004)	Total	(4,324)

2018/19 £000s	Grants included as income in the Net Cost of Services	2019/20 £000s
	<b>Credited to Services</b>	
(14,193)	Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,781)
(318)	DWP- Trailblazer Homelessness / MHCLG Preventing Homelessness	(23)
(226)	MHCLG - Flexible Homelessness Support Grant	(193)
0	MHCLG - Rough Sleeping Initiative	(70)
0	Apprenticeship Levy - Conditional Grant Digital Account	(53)
(213)	Section 106 Revenue Contributions for Grounds and Waste Services	(277)
(148)	DWP - Discretionary Housing Allowance Subsidy	(131)
(32)	DWP - Additional Housing Benefit and Welfare grants	(52)
(56)	The Cabinet Office - Individual Electoral Registration	(53)
(34)	MHCLG- Custom Build and Brownfield Development Grant	(17)
0	MHCLG - Neighbourhood Grant	(45)
0	Coronavirus Emergency Support Grant	(43)
(199)	Other Revenue Grants & Section 106 Funding	(146)
<b>(15,419)</b>	<b>Revenue Grants and Contributions</b>	<b>(13,884)</b>
(713)	MHCLG - Disabled Facilities Grant	(632)
(22)	Section 106 and Other Capital Funding	(54)
(255)	Section 106 and Other Conditional Funding	(602)
(990)	Capital Grants and Contributions	(1,288)
<b>(16,409)</b>	<b>Total Grants Credited to Services</b>	<b>(15,172)</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:

2018/19 £000s		2019/20 £000s
(764)	Revenue Section 106 Funding	(625)
(48)	Amounts Held for Specific Reasons	(48)
(82)	Other Revenue grants (Less than £25,000)	(105)
(894)	Revenue Receipts Held in Advance	(778)
(3,669)	Capital Section 106 funding	(3,487)
(4)	Other Capital grants	(275)
(3,674)	Capital Receipts Held in Advance	(3,762)
<b>(4,567)</b>	<b>Total Receipts Held in Advance</b>	<b>(4,540)</b>

## Note 17. 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 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**

During 2019/20 the Council purchased a leasehold property at Rounds Gardens in preparation for the redevelopment of the site. The property was immediately impaired at a loss of £0.055m. The existing council owned properties were fully impaired in 2018/19.

### **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 £0.500m 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 P Mawson (FRICS) of Godfrey Payton, as at 1 January 2020. All valuations (formal and desktop) are carried out on a maximum 5-year rolling programme basis in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance).

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 April-July 2019 Mr Mawson valued a number of properties for 2019/20 totalling £4.6m 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 2020/21 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 2020 did not differ materially from the fair value of those assets at the end of the reporting period.

The outbreak of Coronavirus was declared as a global pandemic on 11 March 2020 and has impacted on global financial markets. As a result of this all in year valuations conducted by the Council's valuers have been reported on the basis of material uncertainty. The Material Valuation Uncertainty Forum has been set up by the Royal Institution of Chartered Surveyors (RICS) to consider the unique events relating to the pandemic and its impact on valuations, with a focus on financial reporting and measures for the accurate consistent reporting of material uncertainty. This forum has not given a date as to when it might be possible to review valuations, but in the valuer's opinion the earliest a meaningful review could be conducted would be December 2020. Valuations will be kept under review in line with the guidance provided by the RICS Forum. 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.

2019/20	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 2019	197,073	32,843	13,651	6,461	909	2,653	2,286	255,876
Additions	5,808	257	594	101	6	-	3,149	9,915
Derecognition – disposals	(1,502)	(125)	(1,045)	-	-	-	-	(2,672)
Derecognition - componentisation	(848)	-	-	-	-	-	-	(848)
Reclassification	313	1	-	-	-	-	(366)	(52)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,397	(25)	-	-	-	4	-	9,376
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(6,744)	(750)	-	-	-	130	-	(7,364)
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2020	203,497	32,201	13,200	6,562	915	2,787	5,069	264,231
Depreciation and impairments								
At 1 April 2019	(8,370)	(1,164)	(9,118)	(2,210)	(20)	(27)	-	(20,909)
Charge for 2019/20	(2,964)	(592)	(1,024)	(323)	-	(4)	-	(4,907)
Derecognition – disposals	39	-	1,021	-	-	-	-	1,060
Reclassification	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services due to revaluation	2,822	660	-	-	-	10	-	3,492
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	463	-	-	-	-	-	-	463
At 31 March 2020	(8,010)	(1,096)	(9,121)	(2,533)	(20)	(21)	-	(20,801)
Balance Sheet at 31 March 2020	195,487	31,105	4,079	4,029	895	2,766	5,069	243,430

	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 2019/20	(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

	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	-	13	-	-	-	13	13,541	13,554
Valued at current cost in:								
2019/20	195,487	1,248	2,766	740	-	200,241	-	200,241
2018/19	-	4,586	-	-	2,988	7,574	531	8,105
2017/18	-	16,655	-	-	-	16,655	-	16,655
2016/17	-	8,603	-	-	-	8,603	-	8,603
Total	195,487	31,105	2,766	740	2,988	233,086	14,072	247,158

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 January 2020 by Godfrey Payton.

### Note 18. 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 2019/20.

	2018/19 £000s	2019/20 £000s
Balance at start of the year	723	723
Net gains/(losses) from fair value adjustments	-	17
Balance of end the year	723	740

### Note 19. 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.

	2018/19 £000s	2019/20 £000s
Balance outstanding at start of year	120	3,107
Revaluation (losses)/gains	-	-
Assets sold	(120)	(131)
Additions	-	12
Reclassification	3,107	-
Balance outstanding at year-end	3,107	2,988

## Note 20. 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 2020 of £3.3m for heating and bathroom upgrade contracts and Biart Place demolition contract and £2.7m at 31 March 2019.

## Capital Financing Requirement

	2018/19 £000s	2019/20 £000s
Opening Capital Financing Requirement (CFR)	84,733	83,830
<b>Capital Investment:</b>		
Property, Plant, and Equipment and Assets Held for Sale	8,303	9,927
Heritage Assets	2	-
Intangible Assets	127	312
Revenue Expenditure Funded from Capital under Statute	1,268	1,280
Capital Investment Total	9,700	11,519
<b>Sources of Financing:</b>		
Capital Receipts	(1,231)	(1,578)
Government Grants & Other Contributions	(1,770)	(1,523)
Sums Set Aside from Revenue	(4,551)	(5,508)
Earmarked Reserves	(1,346)	(2,587)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,705)	(1,561)
Financing Total	(10,603)	(12,757)
Closing Capital Financing Requirement (CFR)	83,830	82,592
<b>Explanation of movements in year:</b>		
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(903)	(1,238)
Increase / (decrease) in Capital Financing Requirement	(903)	(1,238)

## Note 21. Revaluation Reserve

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

2018/19 Total £000s		General Fund £000s	HRA £000s	2019/20 Total £000s
(44,280)	Balance as at 1 April	(29,010)	(17,510)	(46,520)
(3,524)	Upward revaluation of assets	(53)	(11,307)	(11,360)
375	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	74	1,910	1,984
(47,429)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(28,989)	(26,907)	(55,896)
670	Difference between fair value depreciation and historical cost depreciation	369	316	685
239	Accumulated gains on assets sold or scrapped	-	246	246
(46,520)	Balance as at 31 March	(28,620)	(26,345)	(54,965)

## Note 22. 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.

2018/19 £000s		2019/20	
		£000s	£000s
(130,706)	Balance at 31 March		(130,794)
(52)	Adjustment to opening balance		-
(130,758)	Restated Balance as at 1 April		(130,794)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,412	General Fund charges for depreciation of non-current assets	1,994	
3,076	HRA charges for depreciation of non-current assets	3,200	
2,809	Revaluation and impairment loss: Property, Plant and Equipment	3,409	
205	Amortisation of intangible assets	704	
1,268	Revenue expenditure funded from capital under statute	1,280	
2,018	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	2,592	
11,788			13,179

2018/19 £000s		2019/20	
		£000s	£000s
(910)	Adjusting amounts written out of the Revaluation Reserve		(931)
(119,880)	Net written out amount of the cost of non-current assets consumed in the year		(118,546)
	<b>Capital financing applied in the year:</b>		
(1,469)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,578)	
(4,318)	Capital expenditure charged against the General Fund & HRA balances	(5,635)	
(1,346)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,460)	
(2,077)	Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,523)	
(1,704)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,560)	
(10,914)			(12,756)
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(17)
(130,794)	Balance at 31 March		(131,319)

### Note 23. 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 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
Cost or valuation						
1 April 2019	495	5,305	685	15,234	215	21,934
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(305)	-	-	(282)	-	(587)
31 March 2020	190	5,305	685	14,952	215	21,347

### 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

There were no additions or disposals in the year.

### Art Collections

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

#### The Social History Collection

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

#### The Redding Collection

The Redding Collection of glass plate negatives came to Rugby Museum following the closure of a local photographic business. It contains around 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 24. 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 2020. 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 2018/19 of £21,041 and in 2019/20 £21,507.

### The Council as Lessor

#### Finance leases

The Council as lessor did not hold any finance leases in 2019/20.

#### 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 2019 £000s	31 March 2020 £000s
Not later than one year	90	87
Later than 1 year and not later than 5 years	141	300
Later than 5 years	1,567	1,554
	1,798	1,941

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 2019/20 no contingent rents were receivable by the Council.

#### Note 25. Long Term Advances – Loans Outstanding

	Balance at 31 March 2019 £000s	Advances £000s	Amounts Repaid £000s	Balance at 31 March 2020 £000s
Loans for the Purchase and Improvement of Private Dwellings	32	-	-	29
UK Municipal Bonds Agency (formerly Local Capital Finance Company)	20	-	-	20
<b>Total</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>49</b>

#### Note 26. Debtors (amounts due to the Council)

Net 1 April 2019 £000s		Debt £000s	Impairment Allowance £000s	Net 31 March 2020 £000s
	<b>Amounts due within one year</b>			
372	Central Government bodies	1,059	-	1,059
2,673	Other local authorities (Inc. Police)	2,395	-	2,395
35	Homelessness	82	(71)	11
804	Rent payers	1,208	(791)	417
373	Council taxpayers	492	(40)	452
42	Non-domestic rate payers	273	(89)	184
1,064	Housing Benefit overpayments	2,069	(1,064)	1,005
1,998	Other entities and individuals	2,355	(106)	2,249
<b>7,361</b>		<b>9,933</b>	<b>(2,161)</b>	<b>7,772</b>
	<b>Amounts due in more than one year</b>			
64	Employee vehicle loans	55	-	55
66	Work in default	65	-	65
130		120	-	120
<b>7,491</b>	<b>Total</b>	<b>10,053</b>	<b>(2,161)</b>	<b>7,892</b>

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

## Note 27. Creditors (amounts owed to others by the Council)

31 March 2019 £000s		31 March 2020 £000s
(302)	HM Revenue and Customs (HMRC)	(359)
(6,338)	Other central Government bodies	(7,195)
(4,369)	Other local authorities (Inc. Police)	(5,582)
(258)	Rent payers	(297)
(98)	Council taxpayers	(107)
(1,681)	Other entities and individuals	(845)
(13,046)	Total	(14,385)

The overall creditor balance has increased by £1.339m between 2018/19 and 2019/20. The largest balances are for amounts owed to central Government bodies and other local authorities at the end of 2019/20, this is predominantly related to the year-end deficit on the collection of business rates as recorded in the Collection Fund.

## Note 28. 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:

2018/19 £000s		2019/20 £000s
(344)	Cash held / (overdrawn) by the Council	17,502
-	Bank current accounts	-
1,376	Money Market Funds	-
1,032	Total	17,502

These changes in the cash held are due to maintaining high liquidity levels as at 31 March 2020 to provide risk mitigation against uncertain cash flow requirements arising from the Coronavirus pandemic.

## Note 29. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2019 £000s		31 March 2020 £000s
1,483	Interest received	844
(2,115)	Interest paid	(2,040)
-	Dividends received	-

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

31 March 2019 £000s		31 March 2020 £000s
5,488	Depreciation	5,194
2,651	Impairment and downward valuations	3,408
206	Amortisation	704
-	Increase/(decrease) in impairment for bad debts	-
657	Increase/(decrease) in creditors	(2,982)
(181)	(increase)/decrease in debtors	(866)
4	(increase)/decrease in inventories	25
2,930	Movement in pension liability	4,239
2,018	Carrying amount of non-current assets and non-current assets held for sale, sold or recognised	2,592
790	Other non-cash items charged to the net surplus or deficit on the provision of services	378
14,563		12,692

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

31 March 2019 £000s		31 March 2020 £000s
3,969	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(2,099)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,768)
(1,540)	Any other items for which the cash effects are investing or financing cash flows	(2,046)
330		(4,814)

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

31 March 2019 £000s		31 March 2020 £000s
(8,626)	Purchase of property, plant and equipment, investment property and intangible assets	(9,767)
(103,257)	Purchase of short-term and long-term investments	(175,797)
-	Other payments for investing activities	(120)
2,092	Proceeds from the sale of property, plant, and equipment, investment property and intangible assets	2,778
78,498	Proceeds from short-term and long-term investments	128,614
2,979	Other receipts from investing activities	1,645
(28,314)	Net cash flows from investing activities	(52,647)

### Note 31. Cash Flow Statement – Financing Activities and Reconciliation of Liabilities Arising from Financing Activities

31 March 2019 £000s		31 March 2020 £000s
41,000	Cash receipts of short and long-term borrowing	171,579
149	Other receipts from financing activities	6
(46,600)	Repayments of short and long-term borrowing	(110,100)
2,212	Other payments for financing activities	4,065
(3,239)	Net cash flows from financing activities	65,550

	Long Term Borrowings £000s	Short Term Borrowings £000s	Total £000s
1 April 2019	(64,509)	(29,548)	(94,057)
Cash-flows			
- Repayment	110,100	-	110,100
- Proceeds	(171,744)	-	(171,744)
Non cash:			
- Acquisition	-	-	-
- Fair Value	-	-	-
- Reclassification			
31 March 2020	(126,153)	(29,548)	(155,701)

### Note 32. 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 2019/20 are as follows:

2018/19 (Surplus) / Deficit £000s	Service	Expenditure £000s	Income £000s	2019/20 (Surplus) / Deficit £000s
(178)	Trade waste	1,169	(1,004)	165
(237)	Car parking	314	(461)	(147)
(415)	Total	1,483	(1,465)	18

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 deficits of £0.165m that would be increased to £0.205m if cost of capital charges had been made, and those for car parking show a surplus of £0.147m that would be reduced to £0.054m

### Note 33. External Audit Costs

In 2019/20 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2018/19 £000s	2019/20 £000s
Fees payable to the appointed auditor, Grant Thornton, regarding external audit services	42	42
Fees payable to the appointed auditor, Grant Thornton, for the certification of grant claims and returns	-	10
Additional fees payable to the appointed auditor, Grant Thornton, for the certification of grant claims and returns in relation to previous years	7	10
Public Sector Audit Appointments Refund – redistribution of surplus arising from the transitional arrangements	-	(5)
Fees payable in respect of other services provided by, Grant Thornton, during the year	-	8
Total	49	65

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 34. 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 15 and 16.

### 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 2019/20 is set out in Note 7; Members allowances are stated in Note 8.

In 2019/20, 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 2019/20 was approved at the Annual Meeting of the Council on 16 May 2019.

Where members declared an interest in an organisation:

- £16,800 was paid in voluntary grants to those related organisations
- £39,250 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 2019/20 Rugby Borough Council paid the WMCA a £0.025m 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 £0.678m to the partnership in 2019/20 predominantly funded via its Disabled Facilities Grant allocation for the year of £0.632m.

#### **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 2019/20, Rugby Borough Council paid £170,590 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 2019/20 this yielded income of £11,330 from Harborough District Council and £8,000 from Warwick District Council.

### Shared Emergency Planning Officer Scheme

The Council is part of a joint Emergency Planning Officer scheme in partnership with Warwickshire County Council, Coventry City Council and Solihull Metropolitan Borough Council. In 2019/20 the Council paid £12,500 to Solihull Metropolitan Brough Council for the provision of services.

### Shared Building Control Service

The Council is part of a shared Building Control Service with Daventry District Council and Warwick District Council who host and provide the Building Control Service. In 2019/20 the Council contributed £112,770 into the scheme.

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

In 2019/20 the following transactions were incurred in respect of shared service arrangements with NBBC:

- £41,390 was paid to NBBC as the lead authority in a shared procurement service.
- £16,650 was paid to NBBC to meet the shared IT training officer salary costs.
- £10,890 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 £9,370 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 2019/20; 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 Leader of the Council, Cllr Sebastian Lowe and as Growth & Investment Portfolio Holder, Cllr Jill Simpson-Vince, are on the Board of Rugby First Limited. An amount of £0.826m was paid to the BID Company in 2019/20 of which £0.513m related to the collection of BID levy income, the remaining £0.313m 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 £0.360m from GLL for the annual contract fee and profit share as per the contract agreement in 2019/20.

#### 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 November 2020.

### Note 35. 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 2019/20 the Council paid an employer's contribution total of £2.690m, which represented 22.69% of employees' pensionable pay of £11.857m 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 2019
- **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 2019/20 the cost of the added years benefit awarded in the past amounted to £0.108m representing 0.91% 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 accounts of the Warwickshire Pension Fund include a disclosure note about the material uncertainty in respect of the property funds it holds. Details of these can be found in Note 5 of the Warwickshire Pension Fund Accounts. The Council's proportion of these funds is approximately 4.72% which equates to £4.53m. Therefore, less certainty can be attached to the valuation of these assets at 31 March 2020

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 2.3% (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 events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the 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**

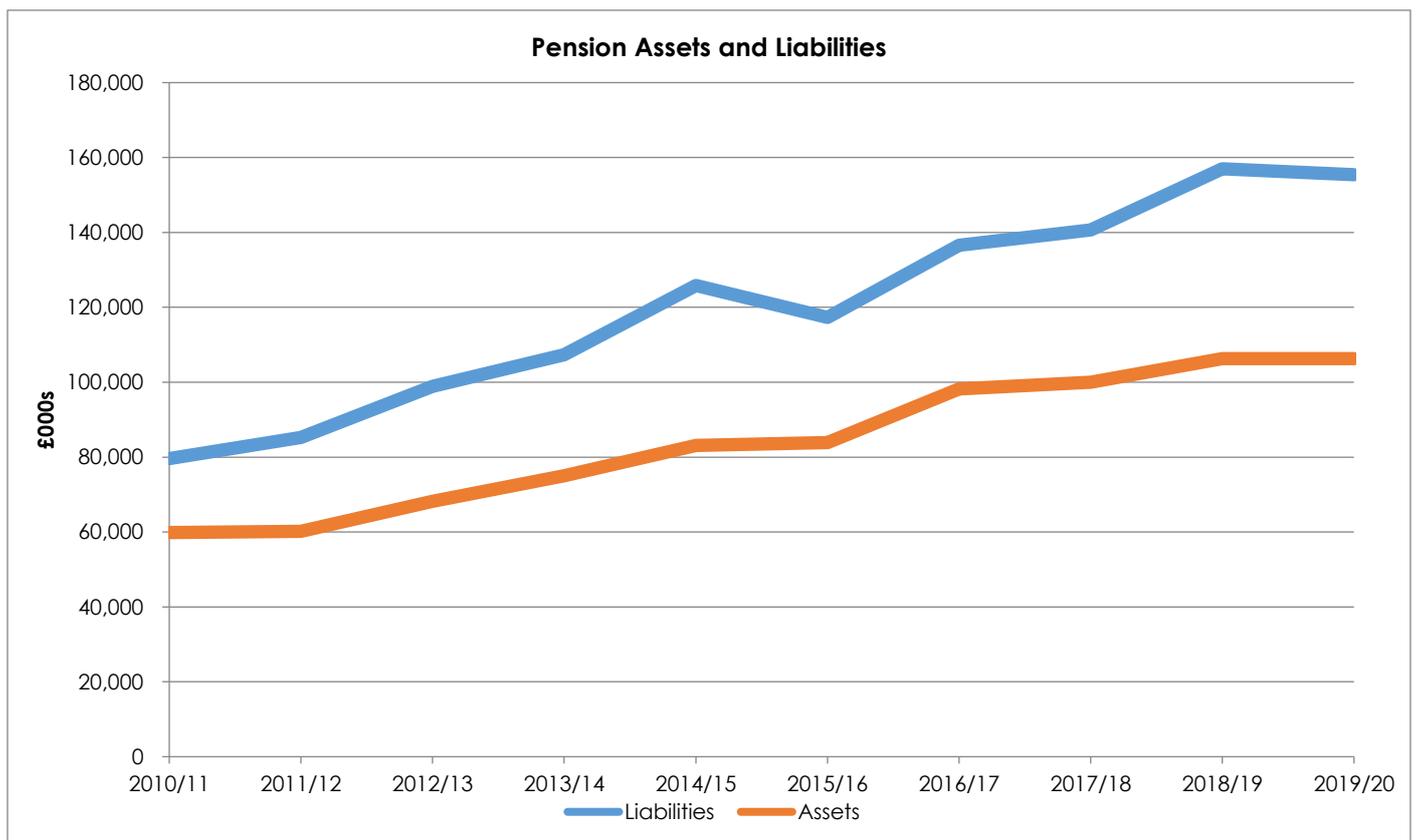
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the cash payable in the year, so the real 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	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services</i>				
• Current Service Costs	4,395	5,312	-	-
• Past Service Costs	16	476	-	-
<i>Financing and Investment Income and Expenditure</i>				
• Net Interest Expense	1,078	1,211	43	38
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,489</b>	<b>6,999</b>	<b>43</b>	<b>38</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	11,530	(17,038)	17	(50)
• Other experience	-	(6,726)	33	(211)
• Return on Plan Assets (excluding the amount included in the net interest expense)	(4,464)	11,881	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,555</b>	<b>(4,884)</b>	<b>93</b>	<b>(223)</b>
<b>Movement in Reserves Statement</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	(5,489)	(6,999)	(43)	(38)
<i>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</i>				
• Employer's contributions payable to the scheme	2,482	2,690	-	-
• Retirement benefits payable to pensioners	-	-	120	108
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,007)</b>	<b>(4,309)</b>	<b>77</b>	<b>70</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	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
Present Value of the Defined Benefit Obligation	(155,384)	(137,550)	(1,611)	(1,280)
Fair Value of Plan Assets	106,303	96,043	-	-
Net Liability Arising from the Defined Benefit Obligation	(49,081)	(41,507)	(1,611)	(1,280)



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 £42.787m 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:

	2018/19 £000s	2019/20 £000s
Opening Balance at 1 April	99,996	106,303
Interest Income on Plan Assets	2,687	2,546
Return on Plan Assets, excluding the amount included in the net interest expense	4,464	(11,881)
Contributions from Employer	2,602	2,690
Contributions from Scheme Participants	722	851
Benefits Paid	(4,168)	(4,466)
Closing Balance at 31 March	106,303	96,043

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
Opening Balance at 1 April	139,004	155,384	1,638	1,611
Current Service Cost	4,395	5,312	-	-
Interest cost	3,765	3,757	43	38
Contributions by Scheme Participants	722	851	-	-
Re-measurement Gain/(Loss):				
• Actuarial gains/losses arising from changes in demographic assumptions	-		-	-
• Actuarial gains/losses arising from changes in financial assumptions	11,530	(23,764)	17	(50)
• Other experience			33	(211)
Benefits Paid	(4,048)	(4,466)	(120)	(108)
Past Service Costs	16	476	-	-
Closing Balance at 31 March	155,384	137,550	1,611	1,280

### 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 2019.

The significant assumptions used by the actuary have been:

	2018/19 £000s	2019/20 £000s
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	22.5	21.6
Women	24.7	23.8
Longevity at 65 for future pensioners (years):		
Men	24.3	22.5
Women	26.7	25.4
Rate of increase in salaries	3.10%	2.70%
Rate of increase in pensions	2.50%	1.90%
Rate of discounting of scheme liabilities	2.40%	2.30%

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.

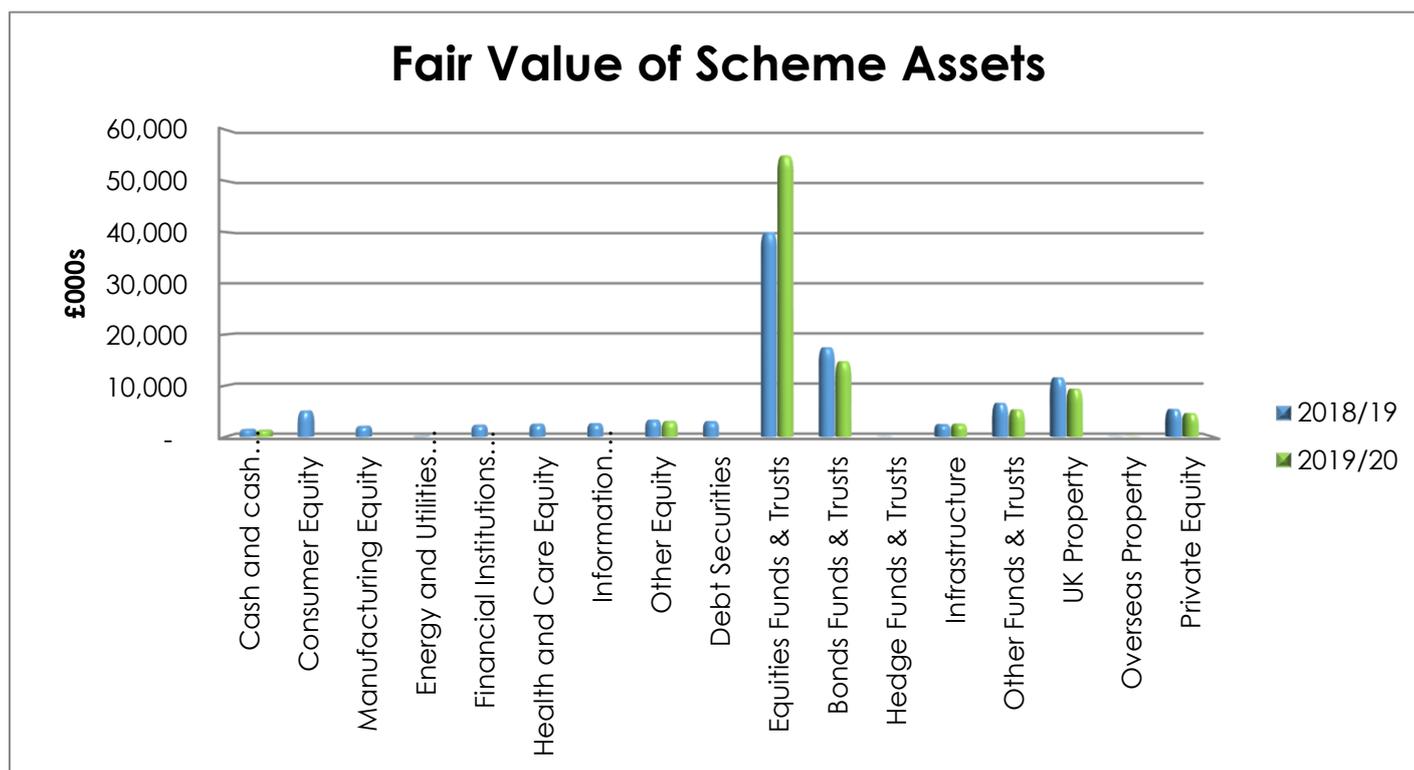
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analysis shown in the next table have been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes 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.

### Impact on the Defined Benefit Obligation in the Scheme

	Approximate Monetary Amount £000s	Approximate % increase to Employer Liability
0.5% decrease in Real Discount Rate	12,954	9%
0.5% increase in the Salary Increase Rate	1,366	1%
0.5% increase in the Pension Increase Rate (CPI)	11,468	8%

### 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 2019). 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 17 years. Funding levels are monitored on an annual basis with the triennial valuation based as at 31 March 2019

The Council has taken advantage of the opportunity with the Warwickshire Pension Fund to pay for the estimated pension payments for the next three years actuarial review (April 2020-March 2023) in advance in order to receive a discount on the payment.

In April 2020, the Council paid £7.990m with an expected £2.663m relating to the 2020/21 financial year.

### Note 36. 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.

2018/19 £000s		2019/20 £000s
40,646	Balance at 1 April	50,692
7,116	Re-measurement of the net defined liability	(12,144)
5,532	Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES	7,037
(2,602)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,798)
50,692	Balance at 31 March	42,787

## Note 37. 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 2019			31 March 2020	
Long Term	Short Term		Long Term	Short Term
£000s	£000s		£000s	£000s
		<b>Financial Assets</b>		
16,977	45,431	At amortised cost	30,580	79,900
-	6,539	At fair value through profit and loss	-	6,263
16,977	51,970	<b>Total Investments</b>	30,580	86,163
		Loans and receivables		
		Cash and Cash Equivalents		
-	1,032	At amortised cost	-	17,502
-	1,032	<b>Total Cash and Cash Equivalents</b>	-	17,502
64	3,552	Trade Receivables	55	3,416
64	3,552	Included in Debtors	55	3,416
17,041	56,554	<b>Total Financial Assets</b>	30,635	107,081
		<b>Financial Liabilities</b>		
(64,509)	(29,548)	Loans at amortised cost	(96,488)	(59,213)
-	(1,681)	Creditors	-	(845)
(64,509)	(31,229)	<b>Total Financial Liabilities</b>	(96,488)	(60,058)

## 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:

2018/19				2019/20		
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
£000s	£000s	£000s		£000s	£000s	£000s
(2,183)	-	-	Interest Expense	(2,520)	-	-
-	-	-	Net loss on financial assets at fair value through profit and loss	-	-	(276)
(2,183)	-	-	Total Expense in Surplus/Deficit on the Provision of Services	(2,520)	-	(276)
-	-	113	Net gain on financial assets at fair value through profit and loss	-	-	-
-	677	238	Interest income	-	1,214	241
-	677	351	Total Income in Surplus/Deficit on the Provision of Services	-	1,214	241
-	-	(113)	Gains on revaluation	-	-	276
(2,183)	677	238	Net Gain/(Loss) for the Year	(2,520)	1,214	241

### 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 2019 Fair Value £000s	31 March 2020 Fair Value £000s
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,441	2,354
Fair value through profit and loss – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,926	1,809
Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,172	2,100
			6,539	6,263

There were no transfers between input levels during the financial year 2019/20. 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, fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date;
- For non-PWLB loans payable, fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date;
- 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 2019			31 March 2020	
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
		Financial Assets held at amortised cost		
15,828	15,466	Corporate, Covered and Government Bonds	12,586	12,244
14,970	14,923	Long Term Investments	27,568	28,135
<b>30,798</b>	<b>30,389</b>		<b>40,154</b>	<b>40,379</b>
		Assets for which Fair Value is not disclosed		
64	-	Long Term Debtors	55	-
31,610	-	Short Term Investments	70,326	-
1,032	-	Cash and Cash Equivalents	17,502	-
3,552	-	Debtors	3,645	-
<b>36,258</b>	<b>-</b>	<b>Sub-total</b>	<b>91,528</b>	<b>-</b>
67,056	30,389	Total Financial Assets	131,682	40,379
		Financial Liabilities at amortised cost		
		Borrowing		
(35,894)	(38,750)	Public Works Loans Board	(54,378)	(49,603)
(58,163)	(67,843)	Other	(101,323)	(107,068)
<b>(94,057)</b>	<b>(106,593)</b>	<b>Total Borrowing</b>	<b>(155,701)</b>	<b>(156,671)</b>
(1,681)	(1,681)	Creditors	(845)	(845)
<b>(95,738)</b>	<b>(108,274)</b>	<b>Total Financial Liabilities</b>	<b>(156,546)</b>	<b>(157,516)</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 2020. This shows a *notional* future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £57.864m 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 £16.360m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £70.738m.

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.

The input level the fair values of financial assets and financial liabilities that are not measured at fair value (but for which Fair Value disclosures are required) is Level 2.

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

### Note 38. 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 2020 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

As at 31 March 2019		Deposits with banks and financial institutions	As at 31 March 2020	
Carrying Amount on Balance Sheet £000s	Estimated maximum exposure to default £000s		Carrying Amount on Balance Sheet £000s	Estimated maximum exposure to default £000s
4,817	-	AAA rated counterparties/products	4,015	-
34,592	7	AA rated counterparties/products	77,735	16
20,867	17	A rated counterparties/products	19,164	15
8,672	19	BBB rated counterparties/products	15,830	35
3,616	108	Trade Debtors	3,700	111
72,564	151	Total	120,444	177

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 2019 £000s	31 March 2020 £000s
Less than three months	326	91
Three to six months	600	164
Six months to one year	136	149
More than one year	323	539
<b>Total</b>	<b>1,385</b>	<b>943</b>

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 2019 £000s	31 March 2020 £000s
Less than one year	51,970	86,163
Between one and two years	8,029	13,035
Between two and three years	5,986	15,035
More than three years	2,962	2,511
<b>Total</b>	<b>68,947</b>	<b>116,744</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 2020 £000s	Actual 31 March 2019 £000s	Actual %
Less than one year*	50	-	51,786	17,036	36
12 months to 2 years	50	-	43,090	29,692	30
Between 2 and 5 years	60	-	7,310	18,232	5
Between 5 and 10 years	60	-	11,796	11,796	8
Between 10 and 20 years	75	-	515	515	-
Between 20 and 30 years	75	-	512	512	-
Between 30 and 40 years	75	-	434	434	-
More than 40 years	75	-	30,252	3,766	21
<b>Total*</b>			<b>145,695</b>	<b>81,983</b>	<b>100</b>

\* excludes short term borrowing less than 365 days.

### 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 included the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

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

#### Statutory Override on pooled investments

The Council holds £6.000m (nominal) 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) 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.

### Note 39. 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.

2018/19 £000s		2019/20 IFRS 9 1 April 2019	
		£000s	£000s
(367)	Balance at 1 April		-
-	Upward revaluation of investments	-	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	-
(73)	Reclassification to amortised cost	-	-
440	Transfer to Financial Instruments Revaluation Reserve	-	-
367	Net Movement		-
-	Balance at 31 March		-

#### Note 40. 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.

	2019/20 Business Rates Appeals £000s
<b>Short – Term Provisions</b>	
Balance at 1 April	(1,254)
Amounts used in the year	233
(Increase)/decrease in provision	108
Balance at 31 March	(913)
<b>Long – Term Provisions</b>	
Balance at 1 April	(3,968)
Amounts used in the year	1052
(Increase)/decrease in provision	(1,557)
Balance at 31 March	(4,473)
Total	(5,386)

#### 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. 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 2019 the Council's provision for business rate appeals was £5.222m. During the financial year £1.285m was charged to the provision for successful appeals in 2019/20 which have been previously provided for.

After reflecting the amounts charged to the provision in 2019/20, 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 2019/20 overall provision in the business rates Collection Fund has been increased to £13.465m. Rugby Borough Council's 40% share of the total provision is £5.386m of which it is expected that £0.913m will be settled in the next twelve months and £4.473m in 2020/21 or later years.

The appeals provision as at 31 March 2020 fully provides for the outcome of the ATM Valuation Tribunal.

## Note 41. 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.

At 31 March 2020 the Council has no contingent liabilities, the 2018/19 liability in relation to the pension valuations for the McCloud and GMP case has now been recognised as a past service cost as part of note 35 – Pension costs

### 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 2020, Rugby held £1.836m 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 42. 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 2019/20 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2020 – 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.

### Coronavirus Pandemic

In the early part of 2020, the Coronavirus began to spread from China. In England, an enforced lockdown was implemented from 23 March. The impact on the Council's finances for 2019/20 was minimal at just £0.004m and these are included within the CI&ES. Costs are expected to be significant for 2020/21 but otherwise the main implication for the 2019/20 accounts relates to the valuation of the Council's non-current assets and financial instruments. These have been valued with the future impact of the pandemic being a key consideration and the value recorded as at 31 March in these accounts reflects the conditions at that date.

### Pension Lump Sum Payment

The Council has taken advantage of the opportunity with the Warwickshire Pension Fund to pay for the estimated pension payments for the next three year actuarial review (April 2020-March 2023) in advance in order to receive a discount on the payment.

In April 2020, the Council paid £7.990m with £2.633m relating to the 2020/21 financial year. The remaining balance of £5.327m will be a payment in advance on the balance sheet which will be offset by a reduction in the cash and cash equivalents in investments

## 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.

2018/19 (restated) £000s		2019/20 £000s
	<b>Income</b>	
(15,540)	Dwelling Rents	(15,046)
(184)	Non-dwelling rents	(106)
(1,201)	Charges for services	(988)
(164)	Contributions towards expenditure	(255)
(17,089)	<b>Total Income</b>	<b>(16,395)</b>
	<b>Expenditure</b>	
3,744	Repairs and maintenance	4,123
5,630	Supervision and management	5,442
48	Rents, rates, taxes and other charges	10
5,757	Depreciation and impairment of non-current assets	6,726
38	Debt management costs	88
23	Movement in allowance for bad debts	118
15,240	<b>Total Expenditure</b>	<b>16,507</b>
(1,849)	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	113
214	HRA Share of Corporate and Democratic Core costs	224
(1,635)	<b>Net Expenditure of HRA Services</b>	<b>336</b>
(119)	(Gain) or Loss on sale of HRA non-current assets	(59)
1,313	Interest payable and similar charges	1,507
(418)	Interest and investment income	(492)
202	Pension interest and expected return on pension assets	218
(180)	Capital grants and contributions receivable	(237)
(7)	Other Income – Unattached Receipts	(21)
(844)	<b>(Surplus) or Deficit for the year on HRA services</b>	<b>1,252</b>

## Movement on the HRA Statement

2018/19 £000s		2019/20 £000s
(6,493)	HRA revenue balance brought forward	(5,085)
(844)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	1,252
441	Adjustments between accounting basis and funding basis under statute	138
(403)	Net (increase) or decrease before transfers to or from reserves	1,390
1,811	Transfers to or (from) earmarked reserves	(1,390)
1,407	(Increase) or decrease in the HRA Revenue Balance	0
(5,085)	HRA revenue balance carried forward	(5,085)

## Note to the Movement on the HRA Statement

2018/19 £000s	Adjustments between accounting basis and funding basis under statute	2019/20 £000s
(3,076)	Depreciation of non-current assets	(3,200)
(2,625)	Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(3,469)
(57)	Amortisation of intangible assets	(57)
(1,807)	Amounts of non-current assets written off on disposal or sale	(2,444)
1,926	Sale proceeds credited as part of the gain/loss on disposal	2,503
2	Transfer to Accumulated Absences account	-
4,149	Capital expenditure financed from revenue balances	5,148
180	Capital grants and contributions applied	237
7	Transfer of Unattached Receipts to the Capital Receipts Reserve	21
(961)	Net charges made for retirement benefits (IAS 19)	(1,111)
2,287	Reversal of Major Repairs Allowance credited to the HRA	2,075
-	Statutory provision for the financing of capital investment	-
416	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	435
441		138

2018/19 £000s	Transfers to or (from) earmarked reserves	2019/20 £000s
(68)	Transfer to or (from) Housing Repairs Account	(353)
1,828	Transfer to or (from) HRA Capital Investment balances	(1,089)
50	Transfer to or (from) other earmarked reserves	52
1,810		(1,390)

## Note 1. HRA Assets

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

2018/19		2019/20
2,151	Houses/Bungalows (including part-ownerships)	2,152
1,635	Flats	1,637
3,786		3,789

The change in the stock was as follows:

2018/19		2019/20
3,779	Stock at 1 April	3,786
(20)	Less sales (including part-ownership)	(25)
-	Less removal from stock	-
-	Add: new build properties	-
27	Add: purchase of properties	28
3,786	Stock at 31 March	3,789

The balance sheet includes HRA assets as follows:

2018/19 £000s		2019/20 £000s
	Balance Sheet values as at 31 March	
188,703	Operational Assets: Dwellings	195,487
798	Operational Assets: Other Land & Buildings	798
622	Operational Assets: Equipment	535
698	Operational Assets: Infrastructure	671
131	Non-Operational Assets	-
2,166	Assets Under Construction	4,926
193,118		202,417

## Note 2. Vacant Possession

2018/19 £000s		2019/20 £000s
469,066	Vacant Possession Value of Dwellings at April 2016 prices	486,214
(188,703)	Balance Sheet Value of Dwellings	(195,487)
280,363	Economic cost to Government	290,727

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.

2018/19 £000s		2019/20 £000s
(1,579)	Balance at 1 April	(2,544)
(3,076)	Depreciation on non-current assets	(3,200)
789	Appropriations to or (from) HRA Revenue	1,125
(24)	Interest received	(30)
(3,890)	Sub-total	(4,649)
1,346	Capital financing	2,460
(2,544)	Balance at 31 March	(2,189)

### Note 4. Housing Repairs Account

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

2018/19 £000s		2019/20 £000s
(1,089)	Balance at 1 April	(1,021)
(3,676)	Contributions during the year	(3,769)
3,744	Repairs and maintenance charged	4,123
(1,021)	Balance at 31 March	(667)

### 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:

2018/19 £000s		2019/20 £000s
4,881	Council dwellings	5,932
-	Other assets	10
-	Housing Management Systems	-
1,985	Other expenditure	3,074
6,866	Sub-total	9,016
	Financed by:	
(4,148)	Direct Revenue Finance	(5,109)
(270)	Government Grant	(236)
-	Earmarked Reserves	(273)
(1,102)	Right to Buy Receipts	(1,209)
(1,346)	Major Repairs Reserve	(2,189)
(6,866)		(9,016)

### 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:

2018/19 £000s		2019/20 £000s
(1,924)	Sales of Council Houses under Right to Buy (RTB)	(2,501)
(7)	RTB Discounts repaid	(18)
-	Council House Mortgage Principal Repayments	(3)
(1,931)		(2,522)

### 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:

2018/19 £000s		2019/20 £000s
	Operational Assets	
(2,934)	Dwellings, other land, buildings	(2,965)
(116)	Equipment	(208)
(26)	Non-operational assets	(27)
(3,076)		(3,200)

A full valuation of the stock has to be undertaken every 5 years. The latest one was carried out as at 1 January 2020.

### 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 35 Pension Costs and Note 36 Pensions Reserve.

### Note 8. Tenant Arrears

During 2019/20 rent arrears as a proportion of gross rental income have changed from 6.2% of the amount due to 7.80%. The figures, excluding service charges and debts of up to three weeks are as follows:

2018/19 £000s		2019/20 £000s
627	Arrears of current tenants (not including current weeks)	737
335	Arrears of former tenants	436
962	Total tenants' arrears at 31 March	1,173

During 2019/20 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 £0.636m (as at 31 March 2020.) Amounts actually written off during the year totalled £0.016m. 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:

2018/19 £000s		2019/20 £000s
(478)	Balance at 1 April	(502)
1	Write off	(16)
(25)	Provision made in the year	(118)
(502)	Balance as at 31 March	(636)

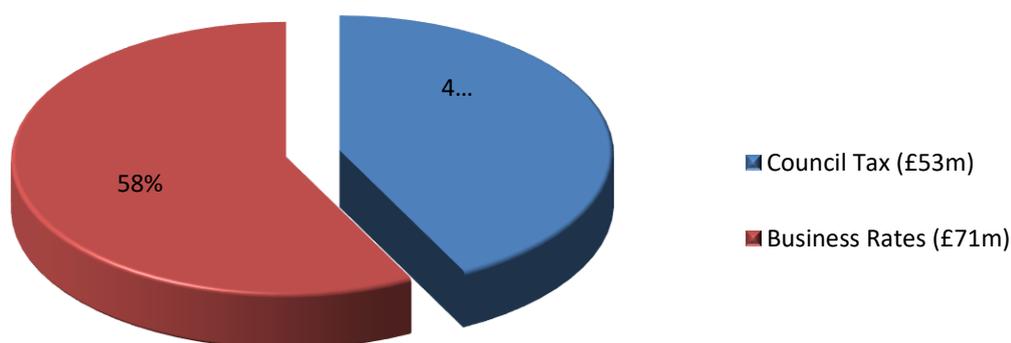
## COLLECTION FUND STATEMENT

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.

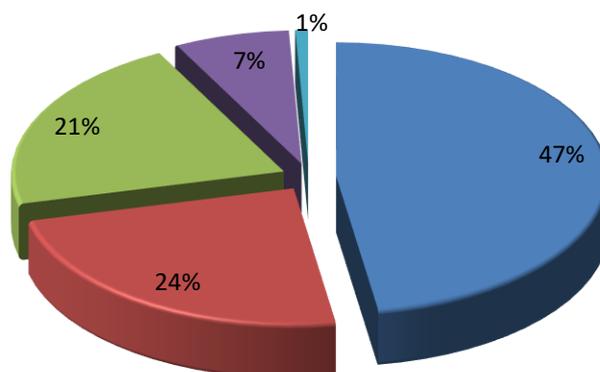
The Council's share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. The difference between the business 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.

### 2019/20 Collection Fund Income £124m



### 2019/20 Collection Fund Expenditure £124m

- Warwickshire County Council (£59m)
- Rugby Borough Council (£29m)
- Central Government (£26m)
- Police & Crime Commissioner for Warwickshire (£9m)
- Provisions - Appeals (£0.4m) & Bad Debt (£0.5m)



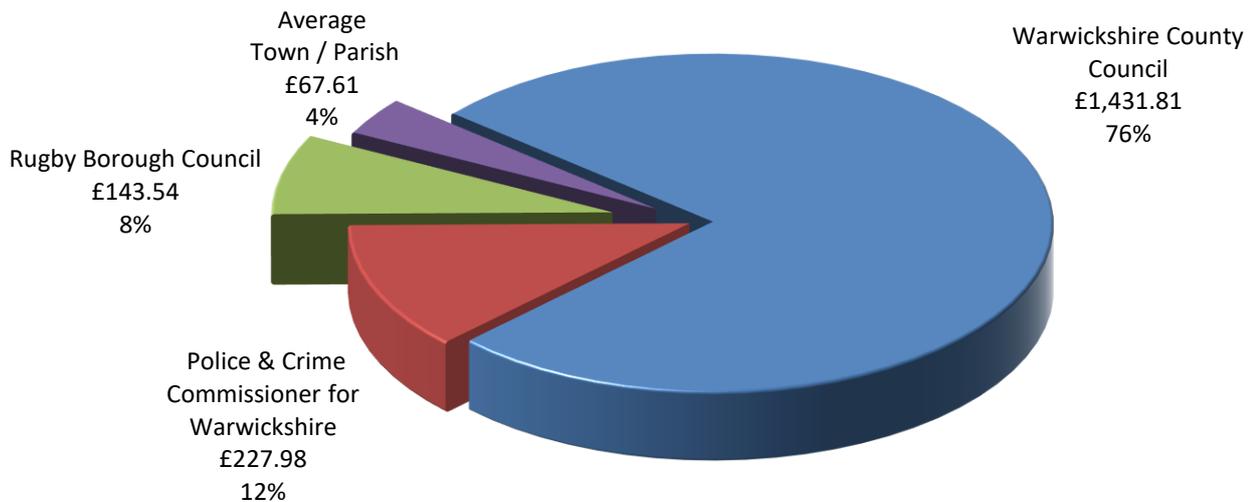
## The Collection Fund Statement

2018/19 Total £000s		2019/20 Business Rates £000s	2019/20 Council Tax £000s	2019/20 Total £000s
	<b>INCOME</b>			
(64,771)	Council Tax Receivable	-	(71,193)	(71,193)
(53,580)	Business Rates Receivable	(52,550)	-	(52,550)
-	Transitional Protection Payments Receivable	-	-	-
(118,351)		(52,550)	(71,193)	(123,743)
	<b>Contribution to Previous Year Estimated Deficit</b>			
(249)	Central Government	(31)	-	(31)
(50)	Warwickshire County Council	(157)	-	(157)
(199)	Rugby Borough Council	(126)	-	(126)
-	Police and Crime Commissioner for Warwickshire	-	-	-
(498)		(314)	-	(314)
(118,849)	Total Income	(52,864)	(71,193)	(124,057)
	<b>EXPENDITURE</b>			
1,478	Transitional Protection Payments	334	-	334
	<b>Distribution of Previous Year Estimated Surplus</b>			
-	Central Government	-	-	-
570	Warwickshire County Council	-	191	191
88	Rugby Borough Council	-	29	29
84	Police and Crime Commissioner for Warwickshire	-	28	28
742		0	248	248
	<b>Precepts, Demands and Shares</b>			
24,382	Central Government	26,281	-	26,281
54,338	Warwickshire County Council	5,256	53,664	58,920
26,944	Rugby Borough Council	21,025	7,914	28,939
7,399	Police and Crime Commissioner for Warwickshire	-	8,545	8,545
113,063		52,562	70,123	122,685
	<b>Charges to Collection Fund</b>			
328	Less: Increase / (Decrease) in Bad Debt Provision	185	347	532
4,075	Less: Increase / (Decrease) in Provision for Appeals	3,623	-	3,623
(2,114)	Appeals and List Alterations	(3,212)	-	(3,212)
136	Cost of Collection Allowance	137	-	137
2,425		733	347	1,080
117,708	Total Expenditure	53,629	70,718	124,347
	<b>Movement on Fund</b>			
(1,141)	(Surplus)/ Deficit arising during the year	765	(475)	290
2,032	(Surplus)/ Deficit arising at 1 April	1,020	(129)	891
891	(Surplus)/ Deficit arising at 31 March	1,785	(604)	1,181

## 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 average band D council tax figure of **£1,870.94** for 2019/20.



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-	8.85	5/9	4.92
A	5,733.09	6/9	3,822.06
B	9,135.28	7/9	7,105.22
C	9,626.38	8/9	8,556.78
D	6,144.15	9/9	6,144.15
E	4,395.94	11/9	5,372.82
F	2,847.80	13/9	4,113.49
G	1,570.94	15/9	2,618.23
H	70.69	18/9	141.38
			37,879.05
		Less allowance for non-collection	(530.31)
		Contributions in lieu (MOD properties)	131.00
		<b>COUNCIL TAX BASE 2019/20</b>	<b>37,479.74</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 £1,870.94 provided an original estimate of income of £70.122m for 2019/20. The actual income for 2019/20 was £71.193m thus exceeding expectations by 1.5%

### 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 £125.047m at 31 March 2020 (£126.351m in 2018/19). The non-domestic rating multiplier for 2019/20 was 50.4p (49.3p in 2018/19) and the small business non-domestic rating multiplier was 49.1p (48.0p in 2018/19).

### Note 3. Collection Fund Balance Apportionment

The net deficit on the Collection Fund as at 31 March 2020 of £1.181m will be split between the authorities and recovered in 2021/22 in the following proportions:

Total 2018/19 £000s		Council Tax 2019/20 £000s	Business Rates 2019/20 £000s	Total 2019/20 £000s
510	Central Government	-	893	893
3	Warwickshire County Council	(462)	178	(284)
(15)	Police and Crime Commissioner for Warwickshire	(74)	-	(74)
393	Rugby Borough Council	(68)	714	646
891		(604)	1,785	1,181

The Balance Sheet as at 31 March 2020 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 £0.646m is recognised in the Comprehensive Income and Expenditure Statement in 2019/20, 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 2018/19 £000s		Council Tax 2019/20 £000s	Business Rates 2019/20 £000s	Total 2019/20 £000s
983	Balance at 1 April	(15)	408	393
(590)	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.	(53)	306	253
393	Balance at 31 March	(68)	714	646

### Note 4. 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 £5.5million of which our share is £1.8m. 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 2020 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However,

no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### 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 Interim Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim 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.

In our evaluation of the Interim Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

### Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pooled property investments within the Warwickshire Pension Scheme

We draw attention to *Note 17: Property plant and equipment*, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings. As a result of this all in-year valuations conducted by the Council's valuers have been reported on the basis of material uncertainty. As disclosed in Note 17, the valuer's opinion is that the earliest a meaningful review of this could be conducted would be December 2020. The Council has decided to use the valuer's estimates of property valuations and movements as best available estimates of the values of the Council's assets as at 31 March 2020, but these estimates are subject to greater uncertainty than in previous years. Our opinion is not modified in respect of this matter.

We also draw attention to *Note 35: Pension costs*, which describes the effects of the Covid-19 pandemic on the valuation of the Warwickshire Pension Fund's two pooled property funds as at 31 March 2020. The property funds' valuers have stated that there is a material uncertainty about the valuations as a result of Covid-19. The Fund has decided to use the valuer's estimates as the best available estimates of the values of the Fund's assets as at 31 March 2020, but these estimates are subject to greater uncertainty than in previous years. The Council's proportion of these funds is approximately 4.72% which equates to £4.53 million. Our opinion is not modified in respect of this matter.

### **Other information**

The Interim Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, 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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

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, the Narrative Report and the Annual Governance Statement 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 Interim Chief Financial Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 45, 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 Interim Chief Financial Officer. The Interim Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim 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 Interim 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 April 2020, 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 2020.



### **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 April 2020, 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 2020.

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 the 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

30 November 2020



# ANNUAL GOVERNANCE STATEMENT

2019-20

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

## Annual Governance Statement 2019/20

### **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 2019/20.

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

- 2.1 The Council's governance arrangements are overseen by the Audit & 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 & Ethics Committee highlighting any identified enhancements. The 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**

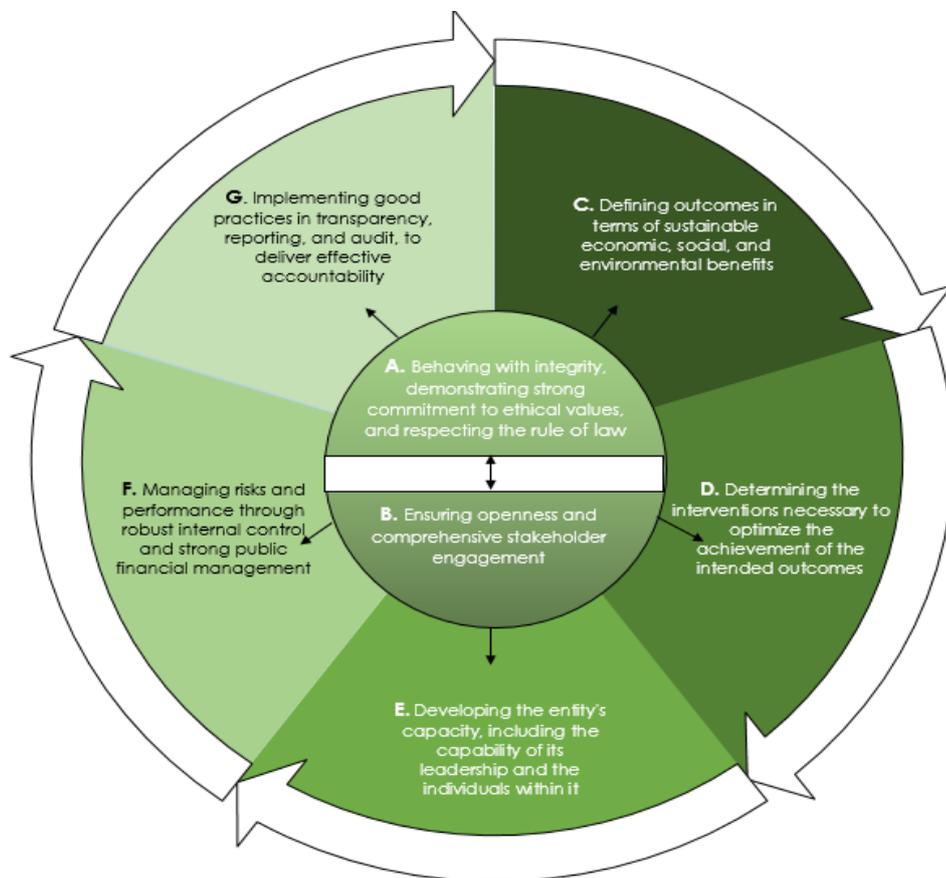
- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear, 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 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 & 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 includes 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 to members. Training is also being delivered to individual teams on a rolling basis; 6 teams were provided with training during 2019/20. The Council has implemented a new cloud-based system of meta compliance and in 2019 all employees were asked to confirm that they have read and understood the Fraud Response Plan; a questionnaire was included to confirm employees' understanding. A review of fraud risks and mitigating controls across all Council departments was completed in 2018/19; this resulted in a Substantial level of assurance. The Council's approach to assessing fraud risks, and its fraud awareness training arrangements, have been recognised and published as examples of best practice in Local Government.

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 monthly 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".

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.

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 online "Praise" system is in place which enables employees who have excelled to receive a praise "badge" in recognition of their contribution. The various categories are "Customer First", "Team Player", "Owned It", "Problem Solver", "Drove Excellence", "Nurtured People", and "Above and Beyond". All officers who received "Above and Beyond" badges were considered by the Corporate Management Forum, who voted for the best 3 examples of excellence with the winners being recognised with a small reward.

The Council's information security procedures are comprehensive. An Information Governance Group is in place 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. There were no such cases during 2019/20. During 2019/20 the Group has made progress in several areas including development of an Information Management framework, training, and developing and implementing a clear desk policy. This progress followed an internal audit review completed in 2018/19. A decision was also taken to procure cyber insurance to help protect the Council from adverse impacts arising from a cyber-attack. Furthermore, with the emergence of the COVID 19 pandemic towards the end of the financial year and an associated increase in cyber-attacks and phishing scams, the Council urgently reviewed the robustness of its information security framework and took the decision to upgrade its systems to reduce the likelihood of a successful attack. Staff were also provided with additional instructions about sharing information, locking screens, and protecting passwords whilst working in a more agile way during the pandemic.

The Council is moving towards an increasingly agile workforce, with technological developments enabling more employees to work remotely and/ or at home. The COVID 19 pandemic has accelerated this process with approximately 60% of staff currently working at home. This was a step change in the Council's way of working and digital means have enabled Council services to continue being effectively provided during the pandemic. 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 is developing 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, and the IT Code of Conduct is also being updated. In the meantime, whilst the formal agile working policy is being developed, instructions have been issued to staff and these are accessible on the Intranet. **See Action 1.**

## **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. Such decisions are also published.
- The strategic risk register is scrutinised by the Audit & Ethics Committee with open reporting to Cabinet.
- 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 & 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 several 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 have received training to ensure that the assessments are carried out in a consistent manner. In 2020/21 the Council will be seeking to be retain its "excellent" Equalities & Diversity accreditation. This will take the form of a self-assessment followed by independent review and verification by the Local Government Association. 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 did not feel comfortable that Rugby is a friendly place for them. The results of the survey were analysed, and an action plan was developed jointly with Warwickshire Pride, the police, and the county council. This action plan has been delivered and this included provision of mandatory LGBT+ training to Council employees and Councillors during 2019/20. In addition, Rugby Art Gallery and Museum has partnered up with Warwickshire Pride to work on an exhibition linked to local experiences. The project will begin in 2020/21 after the current lockdown is lifted.

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, Instagram, Twitter, the website, surveys, and face to face. The current COVID 19 pandemic has enabled use of the more innovative means of communication to be maximised. 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.

Following an extensive consultation which generated over 6,000 submissions, the Local Plan was approved by the Council in April 2019. The Council also approved the Supplementary Planning Document for Coton Park East – delivering on the allocation set out in the Local Plan. The Council is also consulting on the South West Rugby Supplementary Planning Document with engagement across a broad spectrum of stakeholders. The Statement of Community Involvement was updated in October 2019, reflecting

consultation on neighbourhood plans. During 2020/21 the Council will be working towards delivery of the Local Plan to meet housing and employment objectives.

2019/20 saw the Council launch its ambitious masterplan detailing a range of improvements to the recreation ground at Featherbed Lane including a picnic area, wildflower meadows and dozens of trees. The Council then launched a public consultation to invite residents to communicate what they thought about the plans. Following this the Council will now finalise the plan before looking to secure funding for the project.

The decant of Rounds Gardens is in progress, which involves some 186 flats across 3 blocks in addition to sheltered accommodation. The Council is taking the same approach applied successfully for the decant of Biart Place with extensive communication, knowing the tenants and understanding what they need and ensuring there is suitable alternative housing. Project planning is robust and effective – working closely with the Council's registered provider partners and the private sector. Flexibility is being applied by the Council to offer additional support to tenants where it is needed. There is also ongoing engagement with stakeholders in relation to the future of the Biart Place and Rounds Gardens sites, including wider business and community consultation.

Rugby Art Gallery and Museum consults with audiences and community groups to ensure services are responsive to local needs and reflective of the local community. In 2019/20 a new partnership was developed with young carers; consultation resulted in visits and workshops being designed around their needs. Rugby Art Gallery and Museum has long term partnerships with the Benn Partnership Centre and Age UK to engage socially isolated adults and adults living with dementia in creative and stimulating experiences. Activities are constantly adapted following participant feedback. During the current Covid-19 Lockdown this work was transferred to digital resources with art packs distributed to participants via partners, the Shielding Hub and the Food Bank.

## **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 2020.
- 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.
- A "clean" Value for Money opinion was received from the external auditors in 2019.
- 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 has declared a climate emergency and has committed to address its impact on the climate.
- 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 Family Lifestyle Programme came to the end of its 4-year programme funding with Public Health Warwickshire in October 2019. The Change Maker programme has successfully delivered a 9-week family weight management programme to families across Warwickshire to support them in living healthy lifestyles. The team successfully hit their objectives of supporting 200+ families every year. The service was merged with the School Health and Wellbeing Service due to a re-structure within Public Health Warwickshire and Warwickshire County Council. Rugby Borough Council Sport and Recreation team created a partnership with Compass for a joint application and were successfully awarded the new 9-year contract that began in November 2019.

The Play Ranger service continued to evolve its community offer with the introduction of a new Forest School programme. This has been developed with internal Play Rangers who actively deliver the programme for Boughton Leigh Junior School, with Cawston Grange Primary School requesting the service upon completion of their new school forest area. National Playday is an annual event delivered on Whitehall Recreation Ground and reached approximately 1,500 attendees over the course of 4 hours. The event is always welcomed by the community and well supported with various organisations and activities on offer.

The Council's social inclusion programme continues to develop with a strong 2019 seeing £0.120m of income generated from schools fees and charges and community funding and support from partners such as Hill Street Community Centre, Orbit Housing, Brownsover Community Association, Long Lawford Parish Council and Fareham Youth Trust. Youth Clubs continue to be delivered across Brownsover, Overslade, Hillmorton, Long Lawford and Hill Street Community Centre, with each Club having between 15 and 60 young people accessing youth services and diversionary activities.

The programme of events for The Benn Hall continues to develop and evolve as the venue becomes a significant entertainment venue in the Town Centre. The venue reached over 95% capacity for several events, whilst additional Christmas Party Evenings were added due to increasing attendance. Local theatre productions from local promotor Five Star Entertainment saw 1000+ visitors over the show period for 'Annie', with similar attendances for 'The Wind in The Willows'. The venue continues to provide support to the local community with the provision of hall hire for groups and organisations, including annual celebration events such as Rugby Town Juniors football presentation evening. Blood donation continues to take place at The Benn Hall as a regular booking, and this has been maintained throughout the Covid-19 crisis.

The Queens Diamond Jubilee Centre is the only Council owned leisure centre within the Rugby borough, operated in partnership with GLL under their brand 'Better'. The Centre provides gym, swim, spa, and sports hall activities across a range of membership options to be accessible to the whole community. The Centre's Swim School continues to offer a strong performing programme with over 2,100 registered members. This is supported by an average of 3,100 pre-paid members who may access the various options of gym only, swim only or full membership. On an annual basis the Centre takes a team of Rugby participants to the Olympic Park, London to take part in the GLL Games. Here all GLL centres offer their members the opportunity to take part in a variety of competitions inside an Olympic venue and participants get to enjoy competing against other regional teams.

The new Brownsover community facility has identified plans to expand activities for the community. The key areas of focus are provision of an internet café, tackling the skills gap and access to work, financial services, housing support and the credit union, providing access to health and wellbeing services in partnership with the new medical centre, and providing a space that can be hired for children's parties.

There are a wide range of activities across the Council's various independent living schemes, including indoor curling, breakfast clubs, bingo, knit and natter groups and armchair yoga. In addition, during 2019/20 the Council worked with Public Health to host several wellbeing days, where general health checks and nutrition advice was given, along with general tips for keeping well. Attendees were also offered 12 weeks free membership of Slimming World, if appropriate.

Work has been ongoing to implement the Council's housing strategy. Priorities have been the provision of new affordable homes to meet community need and progressing the decant of Rounds Gardens. The main conduit for delivering new homes was the delivery of S106 homes by Registered Providers. The Council also continued to grow its portfolio of housing via S106 and the open market. In 2019/20 the Council worked with Orbit, Clarion, Citizen, Midland Heart, SAGE, Sanctuary and Bromford to build 228 new affordable homes. In addition, the Council built and acquired 33 new homes for rent. The Tenant Representative Panel has developed its core range of activities to take on more of a scrutiny role through – pre-letting inspections, communal cleaning inspections, estate walkabouts and the creation of a new readers panel. They have also contributed to a review of the conditions of tenancy and the tenant handbook.

The Rugby Lotto, launched in May 2019, provides the voluntary and community sector with the opportunity to raise funds to achieve their objectives. The scheme is currently generating approximately £34,500 in revenue per annum for the sector in Rugby. The cost of running the Lotto is limited to the renewal of the annual Gambling Commission Licence, membership of the Lotteries Council and the occasional bolt-on prize as a marketing tool. Officers assess the eligibility of organisations to join the Lotto, but this is not onerous. An additional Service Level Agreement has been put in place with the Long Lawford Community Association for £7,500 per annum for the period 2020-22, utilising funding from the Council's allocation due from the proceeds of the Rugby Lotto. Pawprints Dog Rescue, which helped with the lotto launch campaign, has benefited to the tune of £4,500 during the first year - a much-needed contribution towards the charity's veterinary bills.

In 2019/20 the Parks & Grounds service received several accolades including:

- Heart of England in Bloom – Gold medal award in the small city category and overall winner in the Heart of England region.
- Britain in Bloom – Silver Gilt award.
- DEFRA Bees Needs Awards – the Council received 3 awards for all its efforts in helping to sustain pollinators. The awards were for all its efforts to sustain pollinators at Centenary Park, Gladstone Green, and the urban meadow project.
- Green Flag Awards – these are the international standard for parks and green spaces and the Council again received 5 awards for Caldecott Park (for the 12<sup>th</sup> consecutive year), Centenary Park, Millennium Green, Rainsbrook Cemetery and Crematorium, and Gladstone Green Pocket Park.

During this year the Council has implemented changes to its grounds maintenance service following a review to ensure that it is operating efficiently whilst still delivering a cost-effective service for residents. The Council has also spent a considerable amount of time working with Planning colleagues, examining the Local Plan to ensure these areas provide environmental benefits such as opens spaces for new and emerging communities.

The Council has provided a pivotal role so far in the provision of support to the community during the COVID 19 pandemic including operating the local Foodbank, a Shielding Hub, providing additional Council Tax support and paying grant refunds to businesses.

The COVID 19 pandemic also led to a spike in demand in for the Customer Advice and Support service. The merging of this service has helped enable those in crisis to be dealt with more effectively with a joined-up approach to their needs. The Council has also provided additional support to rough sleepers including the provision of temporary accommodation. The development of Rugby Pathway is the next step in this area – looking at customers with complex needs and entrenched rough sleepers. The Rugby Pathway will provide a wraparound support service including mental health and addiction problems and helping with access to health service support.

A restructuring of the Community Wardens was completed which provided a major service improvement for residents and businesses with the wardens now providing community-based customer services 7 days per week. Services include responding to anti-social behaviour, nuisance, dog warden services, car park support, and enforcement. The service has been extended to support other teams within the council that do not have out of hours cover.

2019/20 saw a 60% increase in group visits on the previous year to the World Rugby Hall of Fame and The Rugby Town welcomed visitors from 38 different countries to the Hall of Fame and guided walking tours. In December 2019 World Rugby and the Council launched the international and national marketing campaign 'Destination Rugby'. 2019/20 was also Rugby World Cup year and 535 school children visited the Hall of Fame, representing a 192% increase on the previous year.

On 18 July 2019, the Council declared a climate emergency. In early 2020 Rugby Art Gallery and Museum staged the exhibition Fools Gold, by artists Pamela Schilderman and Hayley Harrison, interrogating climate change and the value of materials; challenging local audiences to engage in the conversations and pledge personal action.

Finally, the Council is working to develop affordable funeral services for those who would otherwise be in funeral poverty, whilst ensuring such services provide a dignified funeral. Work is ongoing to source a suitable funeral director for these services.

## **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 2019 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 covering the period 2020 – 2024 was endorsed by Cabinet in February 2020.
- Approved Asset Management Strategy in place.
- 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 further progress in developing the site of the old Rugby Radio Station; the primary school is open along with a major link road, and the secondary school is expected to open in Autumn 2020. 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.

An approved Asset Management Strategy is in place 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 & 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 224 preventions, compared with 50 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 is governed by the Warwickshire Heads of Housing Board (WHOH). Work is ongoing to evaluate the costs and benefits of the project and to determine future longer-term plans.

The Council has 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 Private Sector Housing Charter has been developed outlining what residents should expect from a private sector landlord. Public Space Protection Orders have continued to be reviewed particularly in relation to nuisance behaviour in alleyways and the Licensing team has been inspecting vehicles used in school transport, resulting in the removal of unsafe vehicles.

The Council has pledged to improve the quality of its digital services and technology and has begun to reshape its capability to deliver that change. The creation of a Digital Board and a new Digital Strategy will form a road map of digital change and culture throughout the Council. By using the digital-by-default model, the Council will demonstrate how digital innovation, data and technology will help its services thrive. The strategy sets a clear vision and direction for how digital design, data and technology will support the Council's ambitions as a council to work differently, deliver the Corporate Strategy, and make lasting changes to how the Council meets more of its community's needs, quicker and more conveniently and making sure that it does so inclusively, leaving nobody behind in the process. In line with this strategy, a new contact management system is being implemented to bring together and enhance the Council's online service offer, improving the website as a place for doing business with the Council online.

Finally, the Council is currently working to develop a new Corporate Strategy as a matter of priority and considering the dramatically changed climate within which the Council is now operating due to the COVID 19 pandemic. The new Corporate Strategy is expected to cover the 3-year period from 2021 to 2024.

## **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 (Chief Finance) Officer, Monitoring Officer, and Senior Information Risk Owner (SIRO/ CIO – Chief Information Officer) are in post.
- The Constitution, which was revised and updated in December 2018, 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.
- 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 always available.
- 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. The programme is being reviewed and updated, and the opportunity has been taken during the COVID 19 pandemic to successfully deliver some modules of this training online via digital means.

The 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 & 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 agenda is in use which enables staff development needs to be identified and addressed throughout the year rather than at six monthly or yearly 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 also 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 COVID 19 pandemic has also led to a step change in the way the Council works, with Council services able to continue being delivered digitally and remotely. Officers have made use of modern technology, for example by having virtual instead of face to face meetings

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 four additional managers, which has improved the resilience of the fraud investigation function. Counter Fraud, Bribery and corruption awareness training was delivered to managers and members in 2018 and a rolling programme of training for individual teams is in place.

The Council 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. This initiative encourages people to talk more freely about mental health, reducing stigma and creating a more positive culture.

During the COVID 19 pandemic some 60% of the Council's employees have been working from home and an increased emphasis has been placed on mental health during this time, with staff encouraged to reach out to each other on a regular basis. Regular communications have been issued including guidance on how to keep well whilst working from home, and free access to online counselling has also been provided. The COVID 19 pandemic has also led to a step change in the way the Council works, with Council services able to continue being delivered digitally and remotely. Officers have made use of modern technology, for example by having virtual instead of face to face meetings. Officers have also shown a very high level of dedication and flexibility, with many taking on additional duties or being redeployed to support the front line, as well as dealing with their own personal challenges created by the pandemic.

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. Some improvements have been implemented in 2019/20, for example the provision of scrutiny, licensing, and planning committee training. Equalities and diversity training was also delivered virtually, and this was very well attended. The revised training programme will focus on the key governance areas and the opportunity is being taken to apply lessons learned during the COVID 19 pandemic by exploring the provision of more online member training. **See Action 2.**

## **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 was redesigned in February 2020. Senior management, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health & 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 2020.
- 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 & Ethics Committee with independent Chair and Vice Chairs.
- Training is provided to all members of the Audit & Ethics, Scrutiny, Planning and Licensing Committees 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 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 Data Maturity assessment was completed and overall, the Council scored a basic level of performance management and data maturity, with elements of Intermediate. A Data Maturity Improvement action plan has been developed and some actions to elevate the Council's maturity level are already in progress. One of those requirements was an assessment of the quality of data used to inform Key Performance Indicators (KPIs). A Data Quality Assurance Programme had been developed by the Corporate Assurance & Improvement team; of 198 measures reviewed in 2019/20 169 (85%) were provided with a high or substantial level of assurance. The overall score of the Self-Assessment was broken down into five areas. Data Use (scored Basic), Data Culture (scored Basic), Data Management (scored Basic), Data Skills (scored Intermediate) and Data Governance (scored Intermediate). The key actions planned for 2020/21 (**see Action 9**) include:

- A review of service objectives to ensure they are clearly defined and relevant. This is key to ensuring that data captured and reported is relevant to those objectives.
- A full evaluation of each department's data maturity, including any data which is captured and used to support decision making outside of the Rugby Performance Management System (RPMS).
- Automation of the capture and reporting of data, which will free up resource to focus on the value-added work of reviewing data and using it to drive performance improvement across the organisation. Alongside this a review will be completed to identify any data analysis skills gaps.

Further progress has been made during 2019/20 to implement the Risk Management Strategy. Recent risk management work has included:

- A review and update of operational risk registers across the Council.
- Development of a corporate risk register for managing the implications of the COVID 19 pandemic for the organisation. This helps to provide assurance that the Council has considered the potential impacts of COVID 19, that appropriate controls have been established to monitor and manage COVID 19 related risks, and that appropriate action is being taken to manage the likelihood of risks materialising, and the associated impacts. Appropriate steps are also being taken to prepare for the recovery of the organisation, the town and local economy and the environment. This work will feed into the Council's new Corporate Strategy for 2021 to 2024.
- An external review of the ICT risk register,
- Development of guidance to support managers in reviewing and updating their operational risk registers using the RPMS system.

Further work is planned during 2020/21 to implement the Risk Management Strategy (**see Action 5**) and this includes:

- Delivery of internal audit assurance work in relation to the key controls declared on operational risk registers.
- A review of the quality of operational risk registers, including ensuring their alignment with service objectives.
- Provision of risk management advice in advance of key decisions being taken. This will help to ensure that key risks are considered in advance of decisions being taken, and that such decisions are more informed.
- Finalisation of the corporate risk register, ensuring those risks which cut across service areas are coordinated and managed at the corporate level.

The Medium-Term Financial Strategy sets out the measures being taken by the Council to prepare as far as possible for the future. The Council has continued to implement policies to support its route to financial self-sufficiency. 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, ongoing implementation of the digitalisation programme, and installing audio visual in the Council Chamber, reducing administration expenditure. A review of fees and charges was also carried out during the year. The Council does, however, face considerable financial uncertainty particularly with the backdrop of the COVID 19 pandemic and its impact on income and expenditure.

There are several projects being implemented 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.
- 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.
- Implementation of a new IT solution for the Licensing service.
- A focus on promoting the use of digital channels by customers.
- Working to set up a regional Materials Recycling Facility which will be Local Authority owned and operated. This is the first example of local authorities working together in this area. A governance framework is being set up for the project, which will involve working with partners to deliver best value recycling for the community.
- A new 14 year rolling fleet replacement programme has been developed.

An external review of the Council's arrangements for managing health and safety for the waste, transport and parks services was carried out during the year, resulting in enhanced monitoring to ensure safe working for members of staff and the public. The Council is extending its in house health and safety expertise with one person currently studying for a professional qualification. Work has also been ongoing with the environment agency to provide assurance that statutory requirements are being met.

The Council has developed the robustness of its emergency planning and business continuity arrangements during 2019/20; a new Joint Emergency Planning Officer is in place providing support and resilience to this function. A new emergency plan has been developed for approval, and a training exercise was conducted with the Senior Management Team.

Finally, a new suite of key performance measures was established for Waste Services leading to better accountability. The Council achieved a 50% reduction in the number of missed bins, along with an increase in mixed recycling tonnage and the number of green waste service subscriptions.

## **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 the 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.
- Performance data is reported quarterly to Cabinet and is reviewed by a scrutiny committee.

- There is an open data section on the Council's website which includes details of senior officer salaries.
- Independent scrutiny training provided to members, the Democratic Services team and senior management during 2019/20.
- Implementation of external audit recommendations is monitored by the Financial Services Manager/ Interim Chief Finance Officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to senior management and the Audit & Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Chair and Vice Chairs of the Audit & 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 has welcomed an equalities and diversity peer review and challenge. Action plans arising from these reviews are monitored by the senior management team.
- Governance arrangements for jointly managed organisations and partnerships have been assessed by Internal Audit and a Substantial level of assurance was provided.
- A follow up Investigatory Powers Commissioner's Office visit to the Council concluded that satisfactory arrangements in place including a Regulation of Investigatory Powers Act (RIPA) policy. Training in the application of the RIPA policy is to be provided to officers in 2020/21.
- Invitations to tender are published along with the contracts register.

### **Effectiveness and future developments**

The Annual Audit Letter for 2018/19 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 & Accountancy (CIPFA).

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 2020 has concluded that the internal audit service continues to operate in general conformance with the standards.

The Chartered Institute of Public Finance & Accountancy (CIPFA) has published guidance 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 & Ethics Committee, using the CIPFA guidance as a benchmark. This exercise highlighted several areas in which the effectiveness of the Audit & Ethics Committee could be enhanced. The Committee has formed a working group, to examine the opportunities for improvement and develop and implement an appropriate action plan. As part of this plan independent in-house training was procured with the intention being that this would support the Committee to maximise its effectiveness. This training was scheduled for June 2020 but is being rescheduled due to the COVID 19 pandemic. **See action 6.**

During the COVID 19 pandemic the Council has ensured continuity of decision making by applying the use of Emergency Powers as set out in the Constitution. During this time there have been regular Question and Answer sessions between senior management and members. Decisions taken under delegated authority have been published. The Council has implemented virtual meetings live streamed to the public, with recordings placed on the website, making them more accessible. These arrangements have ensured discipline and structure to the Council's decision making during the pandemic.

An internal audit review of compliance with the Local Government Transparency Code found that of the 13 sets of mandatory information only 3 were being published in accordance with the code regarding both content and timeliness. There were 2 of these 13 areas where no data was being published at all. For the other 11 areas data was only partly published and/or was not being updated in accordance with the stipulated frequency under the code. There was no central schedule of publication held and no chase mechanism in place to ensure up to date information is obtained from the relevant departments on a regular basis. The report was considered in full by the Audit & Ethics Committee in January 2020 and a follow up internal audit review will be completed in 2020/21. **See Action 7.**

## 6. PROGRESS ON DELIVERY OF LAST YEAR'S ACTION PLAN

	Improvement Action	Assessment of Progress
1	Require all employees to confirm that they have read and understand the Counter Fraud, Bribery and Corruption Strategy and Fraud Response Plan.	<b>Completed</b>
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.	<b>In Progress</b>  During 2019/20 the Information Governance Group has made progress in several areas including development of an Information Management framework, training, and developing and implementing a clear desk policy. A decision was also taken to procure cyber insurance to help protect the Council from adverse impacts arising from a cyber-attack. Furthermore, the Council took the decision to upgrade its systems to reduce the likelihood of a successful cyber-attack. Staff were also provided with additional instructions about sharing information, locking screens, and protecting passwords whilst working in a more agile way during the COVID 19 pandemic.

	<b>Improvement Action</b>	<b>Assessment of Progress</b>
<b>3</b>	Update the IT Code of Conduct to reflect the increasing number of agile workers. Develop and implement an agile working policy.	<p><b>In Progress</b></p> <p>The agile working policy is being developed and refined, considering the dramatic increase during the COVID 19 pandemic. The policy will be finalised along with the updated IT Code of Conduct as soon as practicable.</p>
<b>4</b>	Implement the action plan arising from the Warwickshire Pride survey of the Rugby borough LGBT+ community. Deliver LGBT+ training to all Council employees.	<p><b>Completed</b></p> <p>This included provision of mandatory LGBT+ training to officers and members.</p>
<b>5</b>	Publish the decisions which involve officers exercising their delegated authority, including the rationale.	<p><b>Completed</b></p>
<b>6</b>	Develop a financial inclusion strategy to support tenants.	<p><b>In Progress</b></p> <p>A draft of the new Strategy has been produced. The Council is also playing a leading role in the development of the new Warwickshire Homelessness Strategy, working in partnership with the County Council and Public Health to develop the financial inclusion chapter.</p>
<b>7</b>	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.	<p><b>Completed</b></p>
<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.	<p><b>In Progress</b></p> <p>Improvements have been implemented in 2019/20, for example the provision of scrutiny,</p>

	Improvement Action	Assessment of Progress
		licensing, and planning committee training. Equalities and diversity training was also delivered virtually, and this was very well attended. The revised training programme will focus on the key governance areas and the opportunity is being taken to apply lessons learned during the COVID 19 pandemic by exploring the provision of more online member training.
9	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.	<b>Completed</b>
10	Implement the Risk Management Strategy action plan.	<b>In Progress</b>  The work completed, and the further work planned for 2020/21, are set out under Principle E within this statement.
11	Obtain approval for the corporate risk register from the Strategic Risk Management Group and submit it to the Audit & Ethics Committee for review.	<b>In Progress</b>  In recent months, the Strategic Risk Register and COVID 19 corporate risk register have been prioritised. Both have been completed, reviewed, and endorsed. The corporate risk register exists in draft form and will be reconsidered later in 2020 as part of the Council's recovery planning once the immediate emergency COVID 19 response has passed.
12	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	<b>Completed</b>

	Improvement Action	Assessment of Progress
	Council's website to encourage better public engagement.	
13	Develop and implement an action plan to enhance the effectiveness of the Audit & Ethics Committee.	<p><b>In Progress</b></p> <p>The Committee has formed a working group, to examine the opportunities for improvement and develop and implement an appropriate action plan. As part of this plan independent in-house training was procured with the intention being that this would support the Committee to maximise its effectiveness. This training was scheduled for June 2020 but is being rescheduled due to the COVID 19 pandemic.</p>

## 7. UPDATED ACTION PLAN

	Action	Lead officer	Target completion date
1	Finalise and cascade the agile working policy, along with the updated IT Code of Conduct.	Head of Communities and Homes	31/12/2020
2	Complete the current review of 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	31/03/2021
3	Rugby Art Gallery and Museum to deliver joint project with Warwickshire Pride.	Arts Heritage and Visitor Services Manager	30/11/2021
4	Finalise, approve, and implement the new Information Governance Framework.	Head of Communities and Homes	31/12/2020
5	Deliver the planned Risk Management work for 2020/21, including finalisation of the corporate risk register.	Corporate Assurance and Improvement Manager	31/03/2021

6	Deliver independent Audit & Ethics Committee effectiveness training.	Corporate Assurance and Improvement Manager	31/03/2021
7	Implement the action plan arising from the internal audit review of compliance with the Local Government Transparency Code.	Communications, Consultation, and Information Manager	30/09/2020
	<b>Action</b>	<b>Lead officer</b>	<b>Target completion date</b>
8	Finalise and implement the new Financial Inclusion strategy.	Head of Communities and Homes	31/03/2021
9	Implement the Data Maturity action plan.	Corporate Assurance and Improvement Manager	31/03/2021

## 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 & 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. Several 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 several further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2020/21.



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.

**Mannie Ketley - Executive Director**

Date: 10 November 2020

**Councillor S Lowe - Leader of Rugby Borough Council**

Date: 10 November 2020



## 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.