



# Statement of Accounts

## Rugby Borough Council • 2020/21



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# NARRATIVE REPORT

## Narrative Report of the Chief Officer – Finance and Performance

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2020/21 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2020/21 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.

This year has been extraordinary with the unprecedented challenges faced, both locally and nationally. Consequently, there is information to enable the reader to understand the impact of the COVID-19 pandemic on services and how the Council has responded.

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 2021 and is structured as follows:

1. About Rugby
2. About Rugby Borough Council
3. Governance
4. Our Priorities
5. Responding to the COVID-19 Pandemic
6. How your Council is performing
7. How our activities align with our Corporate Priorities
8. Financial Overview of 2020/21
9. Financial Performance in 2020/21
10. Future Financial Outlook and Financial Resilience
11. Finance Resilience Conclusion
12. Financial Statements
13. Further Information

Jon Illingworth CPFA  
Chief Officer – Finance and Performance  
14 December 2021

## 1. About Rugby

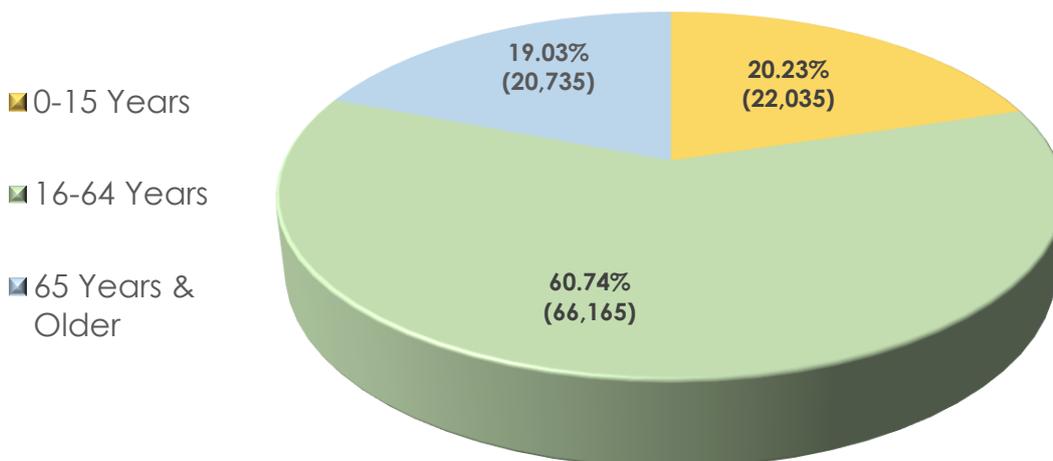
Located near the centre of England and stretching from Coventry to the west and to the county borders of Northamptonshire and Leicestershire in the east, the Borough of Rugby is excellently placed for both local economic growth within the West Midlands as well as benefitting from the impact of growth in businesses focussing on 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.

### Population

The borough has 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 108,935 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 and Cawston.

Office for National Statistics Mid-year estimates for 2019 reported that Rugby's estimated population has an age profile as presented in the following chart.

Composition of Rugby Population



## 2. About Rugby Borough Council

Rugby is the primary local authority for the Borough, providing 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. Representation with these bodies helps to facilitate benefits for the borough including investment in jobs and infrastructure.

### Political Structure in the 2020/21 Municipal Year

The borough of Rugby has 16 wards and the Council consists of 42 Members and is a Conservative controlled authority. Due to the COVID-19 pandemic the local elections were postponed until May 2021 therefore the structure remains the same as previous years.

	2019/20	Change	2020/21
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 Mannie Ketley.

The management structure of the organisation will change from 1 April 2021 in addition to the appointment of the new Deputy Executive Director during the year, a restructure of the Senior Management Team will see the introduction of 8 new Chief Officers replacing the previous Heads of Service roles and new portfolio structure which is aligned accordingly.

As the new structure has been implemented from 1 April 2021 during the preparation of the year end accounts the reported outturn and any portfolio tables within this document reflect the structure as at 31 March 2021.

## 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.

The Council are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2021/22; this includes the development and implementation of a new Code of Corporate Governance, approval and implementation of new and updated financial regulations, and development of a new performance management framework to reflect our new corporate strategy, including the use of business intelligence capabilities.

## 4. Our Priorities

On 25 April 2017 the Council approved the Corporate Strategy 2017-20, setting out priorities for the period. The corporate strapline, “proud of our past, fit for the future,” has been used to focus on providing facilities and growth that give a strong and prosperous future while preserving and celebrating the best of the past. As a result of the COVID-19 pandemic the strategy was extended by a further year.

Whilst the Council approved a new Corporate Strategy on 23 February 2021, to be implemented from 1 April 2021, and is summarised below, these financial statements reflect the performance against the Corporate Strategy in place for the financial year to 31 March 2021.



**Climate**

**Outcome 1:**  
“Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change”



**Health & communities**

**Outcome 3:**  
“Residents live healthy, independent lives, with the most vulnerable protected”

**Economy**

**Outcome 2:**  
“Rugby has a diverse and resilient economy that benefits all residents”

**Organisation**

**Outcome 4:**  
“Rugby Borough Council is a responsible, effective and efficient organisation”



PRIORITY OUTCOMES

To do what’s Right for Rugby

Our Corporate Values

C	A	N	D	O
CUSTOMERS FIRST	ACT WITH RESPECT	NURTURE PEOPLE	DRIVE EXCELLENCE	OWN IT



1

### Financial Sustainability

The General Fund portfolio financial position is an underspend of £0.139m before providing for carry forwards into 2021/22 of £0.585m This leaves a net £0.299m overspend.

	Budget	Actual	Variance
	£000s	£000s	£000s
2020/21	16,212	16,511	299

At the end of 2020/21:  
General Fund balances are at £2.250m  
Earmarked Reserves are at £19.430m

2

### Self Sufficiency, Growth & Prosperity

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

	Amount
New Dwellings	753
Affordable Homes	233

The Council also approved planning applications which saw **400,000 square meters** of employment land to support the economic development of the borough.



3

### Workforce

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

	Long Term Sickness	Short Term Sickness
Working days lost		
2019/20	2,794	3,118
2020/21	3,343	1,476

Year	Headcount
2019/20	489
2020/21	496



4

### Homelessness

The amount of Homelessness preventions/reliefs made by RBC has decreased by 15% from the previous year.

Year	Preventions/Reliefs
2019/20	521
2020/21	445

**20** former long term rough sleepers were supported by the Rugby Pathway to enter secure tenancies.

RBC also provided urgent accommodation to **12** rough sleepers as part of the Council's response to the COVID-19 pandemic.

5

### Communities & Wellbeing

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

Year	Green Flag Awards
2018	5
2019	5
2020	5

In addition, continued support from volunteers within our Parks services during the COVID-19 pandemic saw 9,227 hours given towards supporting the service.



6

### HRA Housing Stock

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

	Housing Stock
Opening Stock	3,789
Right to buy (RTB)	(19)
Additions	40
Disposals	(124)
Closing Stock	3,686

This breaks down as follows:

Property Type	2019/20	2020/21
Houses/Bungalows	2,152	2,160
Flats	1,637	1,526



## 5. Responding to the COVID-19 Pandemic

The outbreak of COVID-19 has had a significant impact globally, nationally, and importantly for the Council locally and on how it undertakes its functions. Consequently, the outbreak has required the Council to adapt quickly to ensure the continuation of vital services that both residents and local businesses rely upon. This significant challenge has resulted in different ways of working, communication, innovation, and overall resilience.

### Initial Emergency Service Response

The Council responded quickly to this emergency situation both from a management, Service and Community perspective;

- The Council's Senior Management Team (SMT) initiated an emergency response structure consisting of strategic and tactical teams before the Local Resilience Forum declared an emergency. There were clear communication lines with all the necessary stakeholders both internal and external including, public health, NHS, police and other local authority partners within the local resilience forum. This successfully enabled quick decision making to react to the challenging circumstances.



Where possible, staff were instructed to work from home and the continued priority for digitalisation over previous years resulted in the current IT software and portable hardware being fit for purpose to enable the Council to respond quickly and seamlessly. Rugby Borough Council led the way in allowing the public to engage by streaming our public meetings through YouTube via Microsoft Teams. Leading the transformation, a model was created which was replicated by our neighbouring authority colleagues and resulted in our legislative responsibilities being fulfilled and ensuring our members and officers stayed safe during the period.

- The shielding hub was established within three days to support those defined by Government as most medically vulnerable to the effects of COVID-19 to secure food deliveries as a short-term measure. The shielding hub was exclusively run by re-deployed staff from different services across the Council, the shielding hub came to an end on the 6 July 2020 following the change in Government guidelines.
- The Council's communications response focused on providing critical public information at the right time, in a way that is accessible to residents and businesses and encourages an appropriate response. There has been continued access to both online information and the customer services team. The immediate response was provided through media and online services;
- The Rugby Foodbank is part of a nationwide network of foodbanks supported by the Trussell Trust. In late March 2020 the Council agreed to take over the running of the foodbank and deployed a team of Council staff from various services and they played an active role in working closely with a number of agencies, supermarkets, Community organisations and local businesses to create 700 food parcels and essentials which were then delivered, where necessary through the shielding hub operation.

- There has been particular focus on responding to challenges within communal housing settings where there is potential for explosive spread of COVID-19. Consequently, the priorities of this team were to aim to reduce transmission through infection control procedures, identify individuals who may be symptomatic early and provide appropriate accommodation and support to ensure that this vulnerable population is protected as far as possible.
- At the point of lockdown Government launched the 'Everyone In' scheme where by all rough sleepers were provided with accommodation. The initial priority was to focus on those who were accommodated by the Winter Night Shelter, the 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.
- The Council has regularly reviewed the risks and provided Cabinet with updated Risk Assessments throughout the year.

### Government Funding

Central Government has taken a number of steps to financially support businesses and residents and local authorities throughout the year. The first set of key measures in March 2020 involved reducing business rates and making direct cash grants to the most affected business sectors, and a hardship fund to provide relief to individual council taxpayers. These measures were fully compensated by grant payments. In addition, it was recognised that local authorities needed continued financial support to mitigate the increased cost pressures and income loss. In Summary, the Borough has received a total of (£50.179m) to be directly passed on to businesses and residents and (£3.871m) received by the Council to mitigate pressures.

### Continued service response to the COVID-19 Pandemic – Meeting priorities

Throughout the year services have seen continued pressures not only in the delivery of business as usual but adapting and responding to the ever-changing environment as a result of restrictions, new variants of the virus and the recovery action plans to restore health, wellbeing and the economy.

The approved budget for 2020/21 focussed on the commercialisation agenda to build on the corporate priority to become financially self-sufficient. However, the immediate impact of the COVID-19 pandemic required the Council to quickly change focus and prioritise new services that were required to deal with the emergency.

### Changes in the ways of working

The COVID-19 pandemic led to a step change in agile working, with technological developments enabling many employees to work effectively away from the office.

#### Development of IT

All staff were required via meta compliance to formally confirm their receipt, understanding, and agreement to follow, the Information Governance, Agile Working, and Information Security policies. The new Agile Working policy will enable the benefits of remote working to continue post COVID-19 pandemic, with a consistent framework in place for managing such arrangements.

#### Keeping Staff and Citizens safe

Health and Safety managed the response to the COVID-19 pandemic through the development of COVID Secure Risk Assessments, regular review meetings with Service Managers and the management of PPE provision together with developments which enhanced our internal health and safety governance arrangements.

Staff have also been at the forefront of the Council's priorities with the initial response to the COVID-19 requiring staff to work from home, where possible. As the year continued both communication and support were prioritised to

commission online training and mentoring which has been offered to all staff recognising the potential impact that the COVID-19 pandemic might have on overall mental health and wellbeing.

Regulatory Services have continued to protect the public by the re-deployment of Community Wardens and the Park Ranger activities to support the compliance and enforcement of COVID-19 pandemic restrictions .

### Communication

Communication has been paramount during these challenging times and the Council has responded to ensure service continuity through the following actions;

- The development and implementation of the necessary IT to enable decision making to take place both internally and externally through Microsoft Teams.
- SMT prioritised the health of the workforce and provided regular updates through internal comms, the corporate management forum and email updates and surveys.
- All telephone access was also maintained where necessary and a more collaborative approach was taken to ensure that regular contact was made with staff and colleagues.

The year has presented significant challenges both nationally and locally but the actions taken to mitigate this have enabled the Council to provide a balanced position at the end of the year and additional reserves to support any slow recovery from the COVID-19 pandemic.

## 6. How your Council is performing

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

- Cadent, owners of the largest gas distribution business in the UK, have selected Ansty Park for their new purpose built headquarters from early 2022.
- Housing development has continued across the Borough, particularly at Houlton, Eden Park and South West Rugby creating new communities.
- Construction starts on two new logistics/distribution facilities at Symmetry Park Rugby, in 2021 with buildings ready to occupy in 2022. The entire site has the capability to deliver up to 2 million sq. ft of logistics floor space and forms part of the wider South West Rugby Extension, which is due to provide up to 5,000 new homes .

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

Performance has been largely focussed around the impact of COVID in addition to maintaining business as usual delivery of services, therefore, this section will focus on the services and any impact that the COVID-19 pandemic over the last 12 months.



## Funding and income

In addition, due to austerity measures and changes in funding methodology the Council has been impacted by funding cuts over the last 10 years with significant reductions in core funding streams, most notably:

- Revenue Support Grant reduced from £3.2m in 2013/14 to zero since 2019/20.
- A loss of £3.9m 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 2019/20 onwards.

The budget approved for 2020/21 included a further reduction in New Homes Bonus as a result of the announcement made in the local government finance settlement to only honour existing legacy payments under the four year scheme with no further legacy payments for the 2020/21 allocation of £1.012m.

## Impact of COVID-19

However, the exception for this year was that the Council has also faced the unforeseen impact of the COVID-19 pandemic on funding as follows.

### Council Tax

In the 2020 Spring budget, the Government recognised that COVID-19 was likely to cause fluctuations in household incomes and as a result, some individuals may struggle to meet council tax payments.

In response, the Government provided a £500m hardship fund for local authorities, of which £0.651m was allocated to Rugby, to discount council tax bills for those least able to pay, alongside existing local council tax support schemes.

### Business Rates

COVID-19 has posed an unprecedented challenge to the UK economy and many businesses saw significant falls in turnover or were forced to close temporarily. In response, the Government provided business support in loans, tax deferrals, business rates reliefs, and general and sector-specific grants to those hit hardest.

At 31 March 2021, the Council had given £16.538m in COVID-19 business rates reliefs to ratepayers. The Council's General Fund is compensated for its £6.882m share of these reliefs by Government Section 31 grant funding.

### Other Income

The impact of COVID-19 has not only resulted in the expected plans to focus on commercialisation to be put on hold but also resulted in loss of income totalling £1.972m. However, this has been mitigated by any savings in direct cost and the benefit of the sales fees and charges compensation scheme that was offered by Government to all authorities. The final claim for the year was (£0.962m) for Rugby Borough Council.

There have been additional grants and reliefs provided to support the local economy, residents and local authorities to recognise the loss of business, increased cost of PPE and provision of additional services to support the most vulnerable during this difficult time. This detail is captured through the accounts and in particular the grants note 18.

As expected, 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 the Council 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.

## Service Delivery

Alongside the emergency response the Council continues the commitment to improvement and lean ways of working. The COVID-19 pandemic has brought about changes which will enhance the resilience to emergency situations moving forward. The following summarises particular service and governance achievements that are over and above those already discussed in the response to the COVID-19 pandemic and provides a more detailed overview of value for money.

- A Policy Cell was established, led by the Corporate Assurance and Improvement Manager, under which new policies were developed, approved and implemented in a number of areas. This included a new Information Governance Framework, an Agile Working policy reflecting the new ways of working during the COVID-19 pandemic, a new and updated Information Security policy, Data Protection policy, and Sharing Information Safely policy.
- Corporate Safety Management has been developed including the adoption of a new Corporate Health and Safety policy, completion of the MAKE Management Audit, Corporate Risk Register agreed, and the trialling of a digital tracking system for lone workers.
- The continued outstanding uptake of the Rugby Borough Council app continued as we hit and exceeded the milestone of 6500 unique properties subscribed to bin alerts, which equates to 13% of the entire Borough. There were over 7500 downloads of the app, and 2 in 5 fly tipping reports came via the app, allowing our residents to instantly respond to any fly tipping they discovered, increasing local pride and putting the power to report the issue right in the hands of the resident.

## 7. How our activities align with our Corporate Priorities

### Corporate Resources – Portfolio Performance

#### **Optimise income and identify new revenue opportunities**

The 2020/21 budget included additional income proposals of (£0.570m) which combined optimising existing charges by ensuring they kept up with inflation and recognising where services had successfully increased their sales volumes.

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.

The Council has improved our Treasury Management performance through reducing our Net Cost of Borrowing by £0.198m and increasing our average rate of return on investments by 0.02% year-on-year to 1.2%, or 0.47% 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.)

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

##### **Digitalisation**

Work has been continuing during the year to streamline processes, maximise productivity and deliver time and financial savings using Cx Licensing. The Cx Citizen Portal will allow citizens in Rugby to apply for and manage licenses online via a secure digital portal.

A fully digital and integrated process for Local Restriction Support Grants, Pub Grants and Additional Restrictions Grants was produced to provide much needed financial support swiftly and effectively to our resident businesses. Over £18.000m of grant was given to around 1,500 businesses and feedback on the process was extremely positive.

In 2020/21, 30,496 services (20%) were accessed by Rugby residents using self-service which is an increase of 7% from the previous year when 19,683 services (13%) were accessed using self-service. Although there has been an improvement in the use of self-service, the Council has dealt with a 30% increase in the amount of customer service requests processed by the Contact Centre. This shows a significant increase in demand for Council services during the COVID-19 pandemic.

As at 31 March 2021 86.4% of accounts signed up for e-billing for Business Rates and 34.5% signed up for e-billing for Council Tax. In addition there were 3,964 Open Portal sign-ups up to 31 March 2021, 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 2020/21 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



2020/21 has been an unprecedented year and the HR team has worked flexibly and exceptionally to support the council during the COVID-19 pandemic, some of the work includes.

- Interpreting government guidance on the COVID-19 for the council's workforce and publishing a regularly updated suite of FAQ's to provide guidance and support to our employees
- Working with teams and our employees at redeployment of staff to meet the COVID-19 related work such as resourcing the Shielding Hub, Foodbank and business critical areas needing further support to meet demand.
- Supporting and engaging with our employees with a suite of wellness resources and online learning sessions
- Liaised with our employees through surveys to gauge the things like working from home, communication from Senior Management and their general mental health

It is to the credit of our committed employees that many of them have moved and adapted to remote working. Likewise, our employees delivering critical services have continued to work in our communities, providing services to our residents, and those based in our offices have had to adapt to working within strict COVID-19 secure measures

The Council continues 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.

Sickness is analysed and in 2020/21 the top reason is due to stress, depression and anxiety. As a Council we continue to take a proactive approach to support our staff and the recent introduction of our 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 supports this.

During 2020/21 staff received:

- 624 training places on 52 internal courses
- 25 staff took 129 E Learning courses
- The Council employs 5 apprentices working towards either their level 2 or 3 customer care qualifications with a further 11 staff receiving training funded by the apprenticeship levy.

Ensure that the Council works efficiently and effectively

### **Optimise the use of our land and assets**

A new Rugby Town Centre Spatial Strategy is being developed for the regeneration of the town centre over the next 15 years. The strategy is a key component of the plans to drive the economic recovery of the Borough in the wake of the COVID-19 pandemic.

Avison Young have been appointed and master planners Allies and Morrison alongside transport consultants Urban Flow to prepare the strategy. The team will be engaging stakeholders and the public in the coming months as options are considered and the draft masterplan emerges.

The council own 4.25 acres of vacant land near the railway station known as the market quarter. After offering the land to the open market and receiving many bids the council has exchanged contracts on the sale with completion imminent.

The purchaser is a European investment fund and work has already commenced on the development of 360, one and two bedroom apartments as part of an institutional private rental scheme (PRS). This will provide much needed homes in a very sustainable location.

### **Improved service delivery via customer focused reviews**

Systems Thinking methodology is used to deliver improvements for customers. This has helped the Council to operate as efficiently and effectively as possible, whilst ensuring the customer is at the heart of service provision and delivery. The new corporate strategy, covering the years 2021-24 highlights the following priorities:

- Embracing digital opportunities.
- Ensure that our organisational structure and methods of working are agile, efficient, and effective.
- Make best use of data and customer insight to design services and interventions.
- Provide residents with the service they need when they need it.

In addition, 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 major investments has been made to the housing stock this year:

- £0.992m upgrading heating systems
- £0.313m in bathroom modifications
- £0.302m fitting enhanced door security systems
- £0.203m disabled adaptations to properties



### **New Council houses**

Over the last year the Council has purchased or exchanged contracts on 16 brand new section 106 houses (houses designated affordable units under planning consents) from developers and purchased a further 20 houses in the open market. The 12.9m Housing Acquisitions Fund established in 2019/20 continues to facilitate the replacement of homes lost through Right-to-Buy, and reduce the costs of temporary accommodation and will continue to be used in the forthcoming year.

### **Bell House project**

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

The build is due to be completed later in 2021.

### **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 two 11 storey tower blocks, 2 storey maisonettes and associated garages and hardstanding, previously occupying the site, have now been de-constructed and the demolition arisings removed from the site. The COVID-19 pandemic impacted the demolition programme, with an initial delay of 3 months, but ultimately work continued at pace. The Council has appointed its contractor partner for the re-development and the Design Partners join the project in June 2021. Further public consultation on and Council approval for the project will be undertaken/sought during 2021.

### **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 and the Council has successfully found suitable alternate accommodation for tenants. Two blocks, Beechwood Court and Ashwood Court, are now fully decanted with only Royal Court and some of the low-rise tenants remaining. The decant programme is currently due to complete by March 2022. The project team is preparing for demolition of the site to commence after completion of the decant.

The Rounds Gardens site consists 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 project team will be appointing its design team partners and looking at design options for agreement of Council. The redevelopment project aims to begin upon successful completion of the demolition phase.

### **Homelessness**

The focus of the Community Advice and Support Team during the last year has been to support our clients through the COVID-19 pandemic with both assistance in the form of emergency accommodation in support of the "everyone in" campaign and through the provision of financial support to help clients affected by the COVID-19 pandemic to pay their



rent and council tax, along with the additional support provided to those who were required to self-isolate but unable to work from home.

The use of commercial hotels and other establishments increased significantly as the Council responded to the impact of the COVID-19 pandemic but in March clients were moved into more sustainable accommodation and the usage of commercial establishments has reduced considerably and many of those who were rough sleeping or staying with friends are now in longer term accommodation and the number of rough sleepers in the town continues to be very low. A particular achievement is that through our housing pathway of accommodation and intensive support several former rough sleepers have now been given introductory tenancies with the Council.

The coming year will see the team aim to recover from the impact of the COVID-19 pandemic and continue to support local residents through the provision of accommodation and financial support.

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

The Customer Service Team have succeeded in transforming the service from an inbound Customer Service Centre (CSC) to a Hub of Care and Sensitivity. People who were Clinically Extremely Vulnerable suddenly found themselves cut off from their communities but the staff here at the CSC were able to talk to them, identify what they needed and make that happen through a cohort of officers and volunteers.

The Customer Service Team made a total of 4,140 calls to the Clinically Extremely Vulnerable and saw a 30% increase in service requests during 2020/21.

Access to essential services for clinically extremely vulnerable residents was enabled through digitally enabled services. Business analytics systems integrated directly with NHS data and customer services digital processes to ensure every extremely vulnerable resident could quickly and effectively be identified during the COVID-19 pandemic as potentially requiring additional support, their contact monitored, as well as actively identify themselves as requiring intervention either online, in person or via telephone.

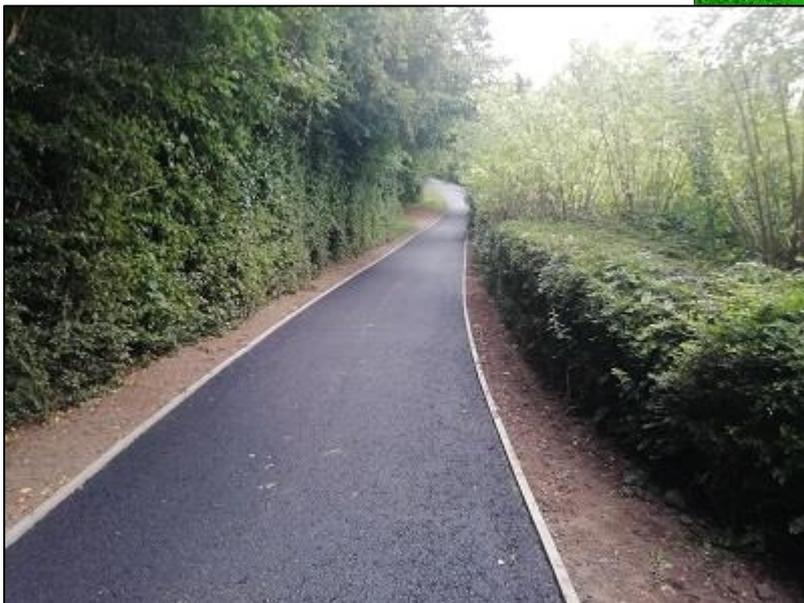
### **Environment and Public Realm – Portfolio Performance**

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

The value of parks to all communities was well demonstrated during 2020. The benefits of parks were already widely known, but the expansion of demand was striking. Anecdotal evidence suggests that park use more than doubled during last year and it is likely that a step change in demand for parks use will persist going forward, particularly now that more people have recognised the good value of exercising outdoors and locally.

**Green Flag Award accreditation 2020/21**

The Green Flag Award is the international standard for parks and green spaces and is supported by Ministry of Housing Communities and Local Government. Whilst the process was delayed because of COVID-19 in October, Rugby was awarded 5 Green Flag Awards for Caldecott Park, Centenary Park, Millennium Green, Rainsbrook Cemetery and Crematorium and Gladstone Green Pocket Park. To celebrate, the Council also participated in the “Go Green For Parks” initiative and lit the Caldecott Park Bandstand green.



**Footpath Improvements**

Over 2000m of footpath improvements completed at Freemantle Recreation Ground with partnership funding from MHCLG, Fields in Trust and footpath improvements at Brownsver using section 106 monies. The development of a Parks Connector Network is continuing, the improvements provide a suitable surface for walking, running and cycling. The surface improvements and removal of kissing gates on the pathways will also improve access for the disabled.

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

The impact of digital solutions and more efficient

ways of working in 2021/22 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 13% reduction in reported missed bins for specific collection services but also accommodated increased participation in our Garden Waste collection, showing an improvement to the disposal of household waste through more separation. Webaspex is being worked on to incorporate the refuse and recycling rounds onto this system in order to optimise collection routes around the Borough.

The Refuse service became essential through the COVID-19 pandemic with the employees being identified as key frontline workers due to lockdown measures requiring people to stay at home. During periods of lockdown, the service became low on staff due to having to self-isolate. To deal with the problem, the Council was able to redeploy officers from other teams in order to maintain this critical frontline service. The community demonstrated its gratitude for the service by providing a large number of messages of support and thanks.



### **Corporate**

There is an updated suite of service level KPIs leading to improved service accountability which is supported by business continuity plans.

The Council is a project partner in the Sherbourne Recycling Facility in partnership with neighbouring and regional local authority partners. Procurement has commenced for the design and build of the facility which be operational in 2023.

### **Protect the public**

This has been dominated this year by the worldwide COVID-19 pandemic.

Resources were diverted to working with partners including Public Health Warwickshire, Warwickshire County Council, Public Health England, Warwickshire Police, Rugby First and the Health and Safety Executive.

This work included specialist track and trace, outbreak investigations, visits and advice to employers, enforcement, patrolling public areas, supporting testing stations, safe reopening on the town centre, supporting street licensing, advice and support for taxis, advice and support for tenants and landlords of houses in multiple occupation, campaigns to encourage testing and vaccinations, social distancing in council facilities and the Community Wardens carrying out the COVID-19 Marshall function.

During this, essential services have been maintained and even expanded, e.g. nuisance complaints increased due to the increased time many people spent at home during the lockdowns.

A training programme for members of the licensing committee has been provided enabling a clearer evaluation of prosecution cases. Enhanced regulatory training provided to planning committee members leading to greater awareness and understanding when decision making and a reduction in appeals.

### **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. 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.

Following approval of the Local Plan in 2019, the Council has been consulting extensively on the South-West Rugby Supplementary Planning Document with engagement across a broad spectrum of stakeholders. During 2021/22 the Council will be working towards delivery of the Local Plan to meet housing and employment objectives.

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

In an unusual year the Art Gallery and Museum service adapted programmes and activities to respond to the changing circumstances.

Many of the planned exhibitions and events at the RAGM were postponed or cancelled due to the restrictions, however key exhibitions were still delivered including *Extramission 2* shown from the 6 August to 4 November 2020, the exhibition was supported by a digital catalogue and resources, allowing remote access during lockdown and for people yet ready to visit the Art Gallery.

**Rugby Live** – This year saw Rugby’s first online festival celebrating the best of the borough’s music arts and heritage which was organised to celebrate the Rugby Art Gallery and Museum 20<sup>th</sup> anniversary. The show featured streamed live music sets from bands and solo acts performing live at the Benn Hall together with a series of pre-recorded performances and demonstrations showcasing dance, poetry, theatre art and social history with the show attracting 16,000 views and engaging with a wider audience than ever before.



The Benn Hall was understandably hit hard by its closure during the COVID-19 pandemic, which caused the cancellation/ postponement of many events. The service successfully worked with partners and was able to develop a post lockdown calendar as a result, which retained 95% of the pre-existing event bookings. This will help support the service’s recovery in 2021/22. The service also continued to work with its partners to provide a venue for the Blood Donations and towards the end of the financial year became the venue for the local vaccination centre.

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

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

**Sports Development** – The team managed to secure funding from Sports England Tackling Inequalities Fund to deliver free sports sessions to young people aged 8-16 in the most deprived areas of the borough. The scheme was aimed at engaging with young people who were feeling isolated due to the lack of social interaction and those anxious about taking part in sport and physical activity due to fears about catching or spreading Coronavirus.

**Family Lifestyle Programme** – The service has continued to meet and deliver its targets, this year due to the COVID-19 pandemic the service has had to adapt its offer. The team have worked hard to deliver one to one sessions which include nutrition and physical activity advice including live cooking and exercise sessions with families via Microsoft Teams. A number of schools also contacted the team to provide Healthy Lifestyle workshops following concerns about weight gain in their pupils during the lockdowns.

**Play Rangers** – Due to the COVID-19 pandemic and national lockdown the service has had to adapt its offer by introducing new innovative ways to engage with the younger people of the borough, this saw the introduction of a series of videos featuring “Treetop Tom” attracting over 12,000 views, which looked at keeping families entertained during the lockdowns by creating games and activities that could be done in the garden or outdoor spaces. The service also continued to deliver in schools to those children who were still attending as key worker families.

**On Track** – Like the Play Rangers the COVID-19 pandemic and national lockdown impacted service delivery with youth clubs and community centres being closed, however the service continued to provide valuable services to the schools within the borough through a mix of going into the school to provide engagement and through online one 2 one activities with those pupils that need extra support.

**Climate Change**

At its meeting on 18 July 2019, the Council declared a climate emergency following the Special Report of the United Nations Intergovernmental Panel on Climate Change and The Committee on Climate Change’s Report ‘Net Zero – the

UK's contribution to stopping global warming'. The Council agreed to establish a cross party working group to advise on the actions and timescales towards carbon neutrality by 2030.

The Climate Emergency Working Group meets regularly to develop Council plans for tackling the causes of climate change and to advise the Council on actions. Whilst the focus of the Council was on managing responses to the COVID-19 pandemic in 2020/21, the Council has:

- Commissioned consultants to baseline carbon outputs and support the development of a carbon neutral strategy
- Engaging with the local community to understand their views on how the Council should focus its activities

The Council has recognised the urgency of tackling climate change and has taken positive steps, in setting the Council's budgets for 2021/22, through the approval of:

- £0.500m funding to kick start projects to help the borough become carbon neutral by 2030
- Entering into a partnership for a regional project to build a material recovery facility in Coventry, thereby, reducing travel distances for recycling.

## 8. Financial Overview of 2020/21

The approved budget for 2020/21 was £17.435m and included Savings and Key decisions of (£0.445m), in addition to income proposals of (£0.570m).

Significant targets approved as part of that savings strategy were:

- (£0.140m) to continue the impact of the savings made from the Housing acquisition fund proposal reported in 2019/20.
- (£0.150m) generated through additional Business Rates from Elliot's Field to be used towards town centre improvements. £0.100m of the fund was agreed to continue the commitment to offer free evening and weekend parking in the town centre.

The Council Budget Resolution on 25 February 2020 committed to additional spending of £0.255m in the following areas of which £0.240m were not delivered due to COVID-19 and form part of the carryforward requests to deliver during 2021/22.

- £0.200m – To incentivise growth and footfall, create a business start up fund offering award grants to support new independent retailers to have a presence in the town centre.
- £0.025m - Feasibility around the potential redesign of the war memorial space within Whitehall Recreation Ground.
- £0.015m - To undertake campaigns combining education and awareness-raising with targeted enforcement activity, in partnership with Keep Britain Tidy.

2020/21 has seen unprecedented times with the impact of the COVID-19 pandemic. Whilst (£0.245m) of the Service savings proposals have been delivered there is a significant risk to delivery the housing acquisition proposal which was approved in December 2018 to mitigate the increased pressures seen within demand for housing. This delay in delivery is mainly due to the increased demand and priority towards homelessness. The income proposals were largely from increased commercialisation which could not be progressed during 2020/21, however these have been mitigated temporarily by the Government action to support local government through the sales, fees and charges compensation scheme.

### Medium Term Financial Strategy

On 24 April 2018, the 2018-22 Medium Term Financial Strategy (MTFS) was approved. This outlines the key principles and financial policies required to enable us to meet our objectives and achieve the ambition of becoming financially self-sufficient.

Following the release of the new Corporate Strategy on 1 April 2021 the MTFS will be updated in line with the national picture for the future and take account of recent organisational changes.

### Housing Revenue Account (HRA) Rents

2019/20 was the final year of the requirement to reduce social rents by 1% annually which was introduced via the Welfare Reform and Work Bill 2016. Following consultation, the new Rents of Social Housing policy guidance has been issued by Government and will allow registered providers to increase rents by CPI + 1% (2.7%) in 2020/21.

### Council Tax

In the Spring budget 2020, the Government recognised that COVID-19 was likely to cause fluctuations in household incomes and as a result, some individuals may struggle to meet council tax payments.

To assist with this, the Council gave council tax payers the flexibility to postpone the April 2020 – January 2021 instalment plan back to June 2020 – March 2021.

However, there was a rise in council tax support cases during 2020/21 and consequently this reduces the tax base and the amount of council tax income collectable. At the end of March 2021, the Council tax base was 0.5% below the approved budget and as a result the Collection Fund is in deficit at year end, as detailed on page 23.

### Business Rates

The COVID-19 pandemic has posed an unprecedented challenge to the UK economy and many businesses saw significant falls in turnover or were forced to close temporarily. In response, the Government has provided business support through loans, tax deferrals, business rates reliefs, and general and sector-specific grants to those hit hardest by COVID-19.

At 31 March 2021, the Council had given a total (£16.538m) in COVID-19 business rates reliefs to ratepayers. The General Fund is compensated for its share of these reliefs by Government Section 31 grant funding.

There are other COVID-19 related losses that are not compensated and have an impact on business rates income:

- Empty property relief for unoccupied business premises in the borough area is 16% higher than estimated.
- Business rates growth was anticipated from the Junction 1 service station in 2020/21, but there will not be any income until 2021/22.

As a result, there is a deficit on the Collection Fund at the end of 2020/21, as detailed on page 25.

## 9. Financial Performance in 2020/21

### COVID-19 Pandemic

The initial lock down came into force on 26 March 2020 and was in place until 23 June 2020. This was then followed by Tier 3 restrictions and a further four week lock down on 5 November 2020 with the final lock down commencing on 6 January 2021 for the remainder of this financial year .

Consequently, these unforeseen circumstances were not factored into the budget approved in February 2020. At the end of the 2019/20 financial year, there was little information as to the extent and serious impact that the COVID-19 pandemic would have on the coming year ahead of the MTFP.

The financial impact of this has presented a number of challenges both locally and nationally and necessary actions were taken to support local government, residents and businesses during 2020/21 which are summarised as follows;

Grants and Income	£000
<b>Agent Grants</b>	
Additional funding received for residents and businesses	28,540
England Sports Council Grant	212
Business Improvement District Support (BIDS) Grant	31
<b>Non- Specific Government Grants</b>	
Additional business rates reliefs delivered through S31 grants	16,538
BEIS – Business Support Grants	4,090
COVID Hardship Grants to discount council tax bills for those least able to pay.	651
Central Government Emergency Funding	1,498
New Burdens grants	431
75% Compensation for Council Tax Losses	112
Test and Trace Support Payments – Discretionary Payments	118
<b>Service Grants</b>	
Arts Council Culture Recovery Fund	71
Compliance and Enforcement Fund	46
The co-payment scheme to compensate local authorities for irrecoverable losses in 2020/21 from eligible sales, fees and charges which have been incorporated into the outturn position for each portfolio.	962
COVID Outbreak Management Fund	400
Next Steps Accommodation Programme	255
Reopening of the High Streets Safety Fund	96
<b>Grand Total</b>	<b>54,051</b>

It can be seen from the Finance and Performance Monitoring 2020/21 year end report and the Statement of Accounts, that the Council has responded operationally and financially. The continued commitment and close monitoring resulted

in some of the initial risks highlighted in the year being financially mitigated through maximising income support opportunities and service actions which has resulted in an overall balanced position and increased level of reserves.

However, it does need to be noted that the recovery will take some time and will have an immediate impact on future years income streams from Council Tax, Business rates and Sales Fees and charges.

#### **Sales Fees and Charges (Government support for in year losses)**

This scheme was offered by Government to support local authorities for income losses resulting from the COVID-19 pandemic. This claim has conditions and will provide 75% of the total income loss when compared with 95% of the budget after deducting any related cost savings. The final claim will result in a total of (£0.962m) for 2020/21. In addition it has been confirmed that this compensation scheme will continue until 30 June 2021. However this radical change in behaviour on the high street and flexible working may have a longer term impact on significant sources of income to the Council and will need to be considered in future budget planning.

#### **General Fund**

As reported to Cabinet on 28 June, in 2020/21 the total Portfolio expenditure was £16.511m against a revised budget of £16.212m, resulting in a pressure of £0.299m. The outturn position includes total service carryforwards of (£0.585m).

After adjusting for net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items, the net overspend on Total Net Revenue Expenditure is £0.040m.

#### **Portfolio expenditure**

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

Portfolio	Revised Budget £000	2020/21 Spend £000	Carry forward and Reserves £000	Revised Actual £000	Reported Net Variance £000
Growth & Investment	3,195	3,182	216	3,398	203
Environment & Public Realm	7,563	7,311	101	7,412	(151)
Communities and Homes	2,238	2,497	(55)	2,442	204
Corporate Resources	1,129	1,045	69	1,114	(15)
Executive Director	2,087	2,038	107	2,145	58
<b>Net Portfolio Expenditure</b>	<b>16,212</b>	<b>16,073</b>	<b>438</b>	<b>16,511</b>	<b>299</b>
Net cost of borrowing and Investment Income	705	530	323	853	148
Minimum Revenue Provision	1,594	1,459	135	1,594	0
Other corporate items	(2,784)	(3,968)	777	(3,191)	(408)
<b>Total Net Revenue Expenditure</b>	<b>15,727</b>	<b>14,094</b>	<b>1,673</b>	<b>15,767</b>	<b>40</b>

#### **Corporate Items, Income and Reserve Transfers**

The overall saving of includes COVID-19 related grants totalling (£2.032m) which mitigates the centrally held pressure of £0.847m and other pressures reported within portfolios. There is a saving of (£0.072m) due to associated savings in borrowing costs, (£0.135m) Minimum Revenue Provision as a result of delays in the delivery of the capital programme, alongside a reduction in the revenue contribution to capital outlay of (£0.144m).

Within the position there are savings which have been set aside to;

1. (£0.500m) - Establish a new transformation reserve to support the newly formed Transformation Unit in delivering significant change within the Council.
2. (£0.281m) - Transfer to the Budget Stability Reserve

Other budgeted grant funding reports a further increase in income of (£0.040m) over and above initial budgeted estimates.

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

	Revised Budget £000	Actual £000	Variance £000
Total Net Revenue Expenditure	15,727	14,094	(1,633)
Retained Business Rates	(5,584)	(13,293)	(7,709)
Council Tax	(8,479)	(8,479)	(0)
New Homes Bonus Grant	(2,382)	(2,382)	0
Other Grants	(257)	(297)	(40)
Collection Fund	0	0	0
Total Corporate Income	(16,702)	(24,451)	(7,749)
Carry forward from 2019/20	(331)	(331)	0
Carry forward to 2020/21	0	585	585
Contribution to Earmarked Reserves	153	848	695
Contribution to/from Budget Stability Reserve	161	554	393
Contribution to/from Business Rates Equalisation Reserve	992	8,701	7,709
Total Transfers to/from Corporate Reserves and Balances	975	10,357	9,382
NET POSITION	0	0	0

### General Fund Balances

The General Fund balances remain at the same level as April 2020 totalling (£2.250m) and any in year supplementary requests have either been through grants, earmarked reserves or the budget stability reserve.

### Corporate Savings

Corporate, Salary and Digitalisation savings total (£0.403m). The outturn includes underspends within services for staffing related costs and efficiencies within postage and printing but does not fully deliver the budgeted target mainly due to additional staff costs from increased demand for services during the COVID-19 pandemic. However, this has been partially mitigated by additional grants received by Government to recognise the on-going cost pressures in the management of the COVID-19 pandemic during this financial year.

### Reserves Balances and Future Strategy

It is right that reserves are kept under scrutiny to ensure that balances are appropriate but also identify where there could be future challenges.

Prior to the financial impact of COVID-19, plans showed that over the medium term the Council was achieving levels of reserves and a general fund balance which continues to meet the risks identified in the financial planning

environment. The contributions made to reserves in the past have enabled the Council to establish a level of reserves which;

- 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 COVID-19 pandemic and help boost the economic recovery

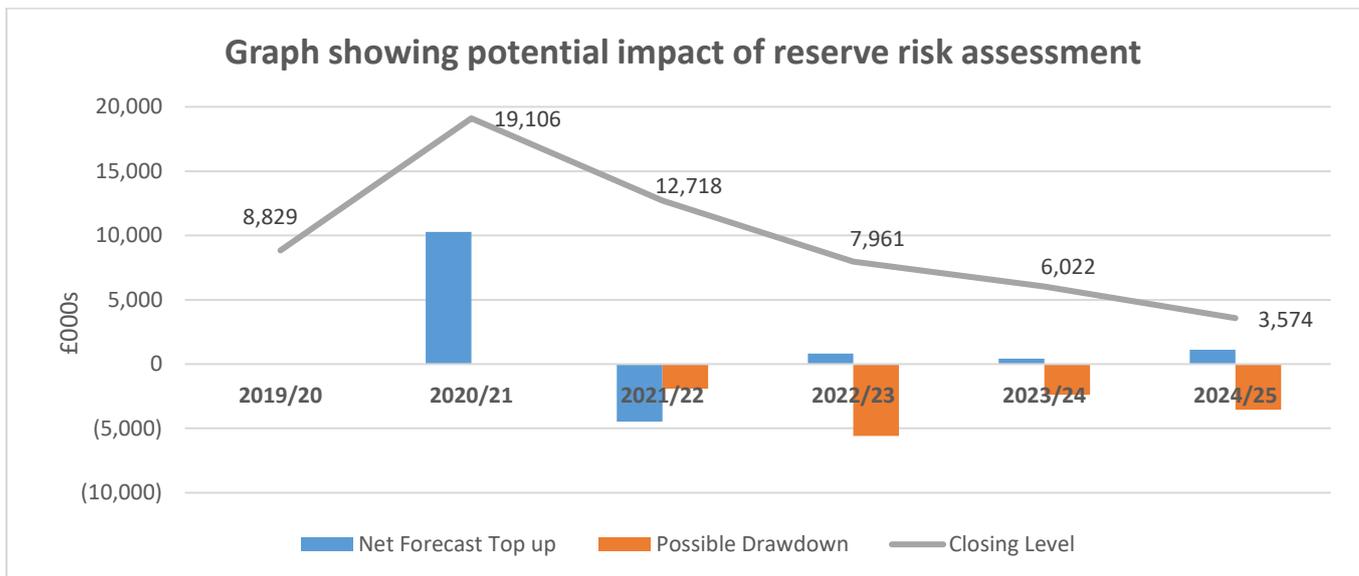
The continued delay in the funding reform and decision to remove the reliance on business rates income has enabled continued contributions to reserves and consequently manage unforeseen risks in the last 12 months. In addition, this level of reserves will support the funding of transformation of services to deliver a more financially self sufficient Council moving forward.

The Council will continue to look at opportunities to use the budget stability reserve and newly created transformation reserve to invest in new ways of working to deliver ongoing value for money.

#### Total General Fund Earmarked Reserves

At 31 March 2021 the Council had total earmarked General Fund reserves of (£19.430m), an increase of (£9.677m) from 2020/21.

The Council completes a Corporate Reserve risk assessment which includes the General Fund itself, the Budget Stability Reserve, the Business Rates Equalisation Reserve, Emergency Climate Reserve and the Welfare Support Reserve. The purpose of the assessment is to understand the potential expected shortfall if all potential risks identified crystallise, since 1 April 2021 this includes COVID-19 costs.



What the risk assessment shows is that there is an improved position with the current level of reserves increasing by (£10.277m) to (£19.106m) in 2020/21. This is largely due to transfers to the business rates equalisation reserve of £8.701m for business rates budgeted surplus in 2020/21. However, the balance then decreases to (£12.718m) which reflects the time differences in accounting for the business rates deficit as budgeted for 2021/22.

The level of reserves will continue to be monitored as the unprecedented circumstances seen in 2020/21 make it extremely challenging to determine the potential future risks, especially surrounding the medium and long term impact on the local economy and Council Tax and Business Rates income collection for the Council. In addition, the true cost of COVID-19 and the medium-term impact on the financial position may not be known for some time, therefore this will be continually monitored throughout 2021/22. At this stage the current assessment is covered by the expected level of reserves.

## Collection Fund

### Council Tax

The amount credited to the General Fund in 2020/21 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 2020/21 the actual cash position for council tax was an overall deficit of £0.534m. 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 Note 3. Our share of the deficit is £0.059m and this will be charged to the General Fund in 2021/22.

### Business Rates

The Council sets its business rates income budget on 31 January each year. It was forecast that the Council would receive (£51.777m) net business rates income during 2020/21 of which Rugby Borough Council would retain (£6.318m).

The outturn position is shown below.

Business Rates Income	2020/21 Budget £000	2020/21 Outturn £000	Variance £000
RBC share of BR Income @ 40% (as per the NNDR1 forecast)	(20,711)	(20,711)	0
Less Tariff	13,294	13,272	(22)
<b>Gross Amount Retained</b>	<b>(7,417)</b>	<b>(7,439)</b>	<b>(22)</b>
Section 31 Grants	(1,856)	(8,121)	(6,265)
Levy Payment	3,155	4,299	1,144
<b>Net Retained Income</b>	<b>(6,118)</b>	<b>(11,261)</b>	<b>(5,143)</b>
Coventry & Warks' BR Pool Income	(200)	(2,766)	(2,566)
<b>Total Business Rates Income</b>	<b>(6,318)</b>	<b>(14,027)</b>	<b>(7,709)</b>

The 2020/21 budget surplus of (£7.709m) is due to:

- In accordance with legislation, the business rates income recorded in the General Fund is fixed to the statutory NNDR1 estimate, no matter how much business rates are actually billed or received. Any difference between the actual amount collected and the estimate creates a surplus or deficit on the Collection Fund, and forms part of the budget for the following financial year (2022/23).

- Additional s31 grant funding has been received in year from central government to provide COVID-19 relief to business ratepayers. The loss of business rates income from these schemes is reflected in the Collection Fund. However, the actual s31 grant income to compensate losses is recognised in the General Fund at the end of the year.
- The release of an amount set aside in the appeals provision for backdated mandatory relief claims that have been removed or withdrawn. As a result, the 50% levy on business rates growth is higher than budgeted and this is a direct charge to the General Fund in year.
- The Council is a member of the Coventry & Warwickshire Business Rates Pool (the Pool). The pooling gain in 2020/21 was (£1.541m) which was higher than the budgeted amount of (£0.200m). In addition, the review of the pooling arrangement resulted in the part release of the retained safety net balance to each pool member of which Rugby Borough Council received (£1.225m) which has been transferred into the Business Rates Equalisation Reserve to manage any future risks.

The surplus has been transferred from the General Fund to the Business Rates Equalisation Reserve (BRER) to offset the actual cash variance on the Collection Fund that will be charged to the General Fund budget in 2021/22.

At year end there was a Collection Fund deficit of £10.750m. This arose because the financial benefits from new business growth was lower than estimated and there have been additional mandatory reliefs claimed that do not receive any s31 compensation grant.

The deficit 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 Note 3. The Council's share of the deficit is £4.145m and this will be charged to the General Fund in 2021/22, but can be met from the surplus that sits in the Business Rates Equalisation Reserve (BRER).

### Housing Revenue Account (HRA)

As reported to Cabinet on 28 June 2021, the year-end position for 2020/21 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	12,064	13,081	1,017
Income	(17,025)	(16,521)	504
Net cost of HRA Services	(4,961)	(3,440)	1,521
Corporate items	4,961	3,440	(1,521)
Surplus (-) / Deficit for year	0	0	0

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 is largely due to:

- the decant of properties at the Rounds Garden and Biart Place sites. Further details on the decant of properties can be found in the section below.

### Reserve Transfers and Balances

The level of the HRA Revenue balance was re-assessed prior to rent setting in 2018/19 considering potential risks arising from the Council’s capacity to manage in-year budget pressures and the wider reform and regulatory environment. Further recommendations were made during 2018 and 2019 as part of reports to Council concerning high-rise sites.

After assessing for the above, it was considered prudent to maintain HRA Revenue balances at (£5.085m) in 2020/21 to meet further revenue costs arising from decisions on the future of the high-rise sites and other potential risks moving forward over the HRA Medium Term Financial Plan.

In summary, there was an in year movement of (£0.518m) on HRA reserves and the overall balance held as at 31 March 2021 is (£23.437m) as follows:

- (£5.085m) in HRA Revenue Balances – remains unchanged in 2020/21.
- (£14.402m) in HRA Capital Investment Balances.
- (£0.316m) in the Housing Repairs Account.
- (£3.374m) in the Major Repairs Reserve.
- (£0.260m) in the Sheltered Accommodation 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 £15.524m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget	Actual	Slippage into 2021/22	Variance
	£000s	£000s	£000s	£000s
Corporate Resources	1,225	141	770	(314)
Growth & Investment	250	64	248	62
Environment & Public Realm	3,784	3,192	711	119
Communities & Homes	1,309	1,165	105	(39)
<b>Total General Fund</b>	<b>6,568</b>	<b>4,562</b>	<b>1,834</b>	<b>(172)</b>
HRA	16,309	10,961	5,031	(316)
<b>Total</b>	<b>22,877</b>	<b>15,524</b>	<b>6,865</b>	<b>(488)</b>

### Biart Place and Rounds Gardens

Prior to 2020/21 the Council considered a number of reports concerning the need to repair or regenerate the two high-rise sites in the borough:

- Biart Place (comprising two blocks with a total of 124 flats and 8 low rise maisonettes).
- Rounds Gardens (comprising three blocks with a total of 189 flats and 32 low rise maisonettes).

The Biart Place site was safely demolished and design / contracting partners were appointed in 2020/21. A programme of rehousing the tenants at Rounds Gardens has commenced with a timeline to be completed by March

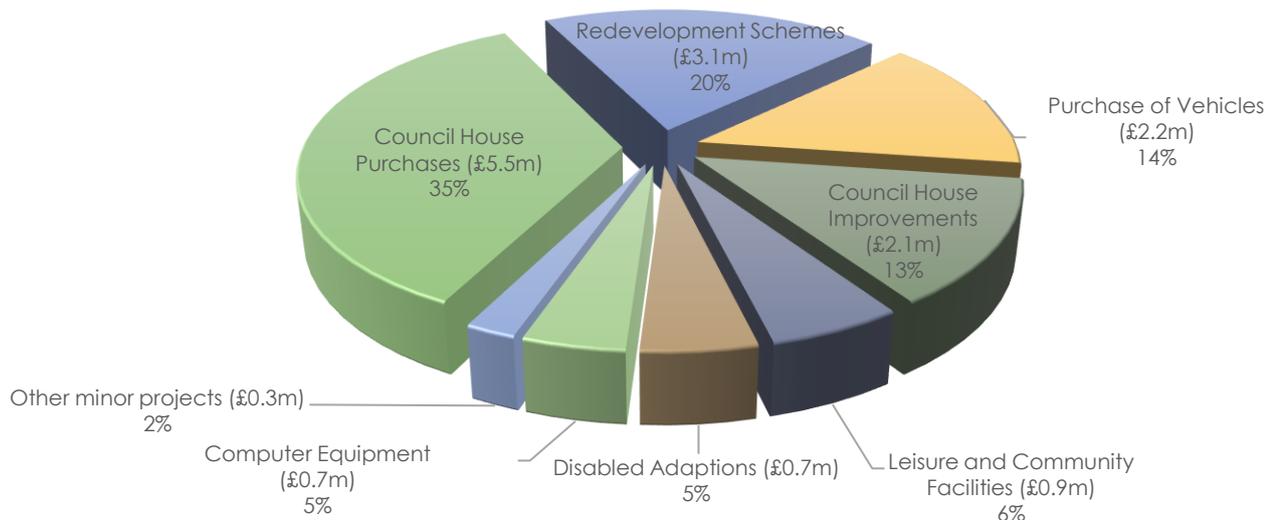
2022. As of April 2021, 90% of the Rounds Gardens site has been vacated. Preparations are underway for the beginning of the demolition phase to commence upon successful completion of the decant programme.

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.

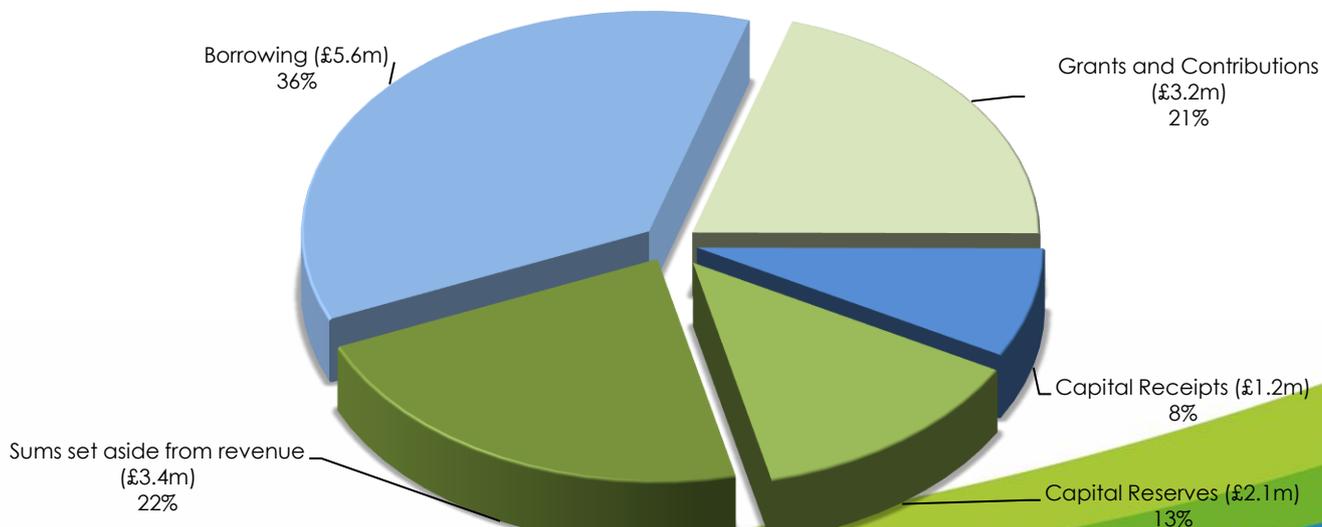
Once the final costing estimates for the new development schemes have been advanced and refined it will be necessary for consideration to be given to a detailed financing strategy for each scheme, alongside further anticipated demands on HRA financial resources. It should be noted that work is in progress 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.

The graphs below show how the money was spent and how it was financed.

Capital Expenditure 2020/21



Capital Financing 2020/21



### Capital Receipts and Capital Grants

At 31 March 2021, the Council also held (£9.900m) of capital receipts (HRA: (£7.774m) General Fund: (£2.126m)) and (£0.647m) capital grants and contributions that had not yet been applied for financing expenditure. In 2020/21, (£1.420m) of receipts (net of pooling payments) were raised from the sale of 19 HRA properties under Right-to-Buy. Further information on capital financing can be found in Note 23.

### Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2020/21, earlier years, and for future years. The total currently stands at £153.750m (both short and long-term borrowing) as shown on the balance sheet.

### Pension Fund

The Council's pension fund liabilities at 31 March 2021 are £53.575m, an increase of £10.788m on that reported at 31 March 2020. One of the major reasons behind the increase is the reduction in the discount rate used in the assessment of future liabilities. This is as a result of the current historic low level of interest rates. The pension liability is not an immediate call on the Council's resources as the liabilities fall over the long term.

The Council took the opportunity to make an early payment of £7.990m in respect of its employer pension contributions in April 2020, for the three year period to March 2023. The discount offered by Warwickshire Pension Fund was greater than the return that could be generated through investing the resources.

## 10. Future Financial Outlook and Financial Resilience

### Future Funding Reforms

There are several risks that the Council faces due to the forthcoming funding reforms, the most significant being:

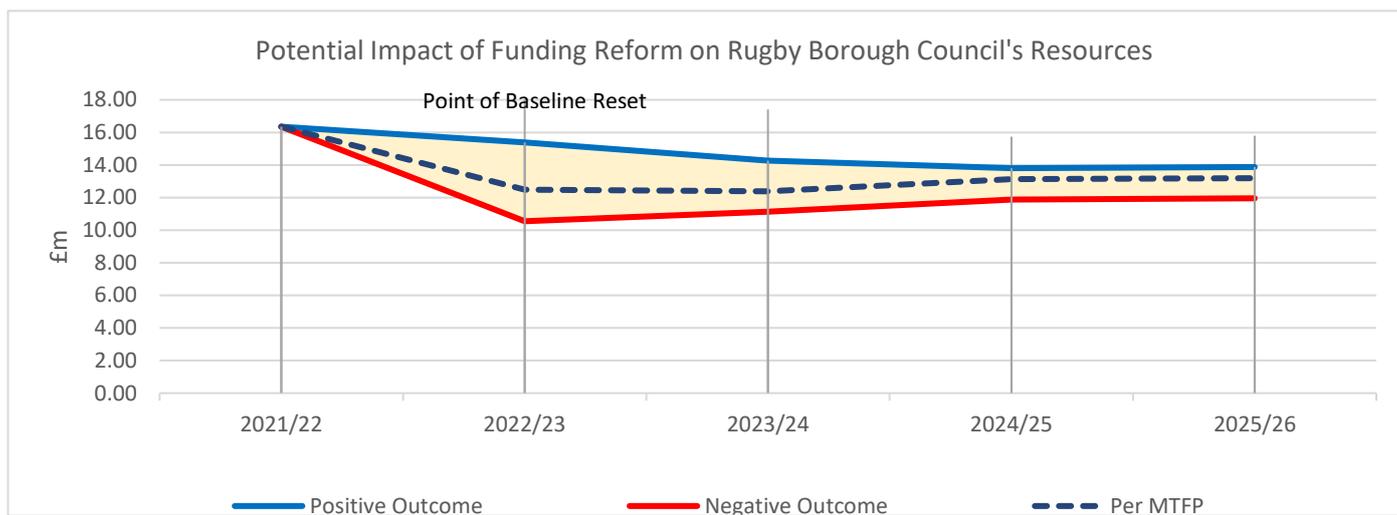
- The impact of the COVID-19 Pandemic on the performance and sustainability of business in the local economy.
- Loss of all existing growth due to the Business Rates Reset. Resetting the system will redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced.
- The outcome of the Fair Funding Review which could result in a reduction in our assessed funding need.
- Significant changes to and possible reduction in income from the impending end of the New Homes Bonus scheme.

It was confirmed in the Spending Review 2020 (SR20) that there will be no baseline reset in 2021/22 (initially planned for 2019/20). This means the BRRS effectively rolls forward unchanged for another year. This provides some confidence that a continued benefit of retained growth of (£3.196m) above the baseline will be available to be transferred into the BRER.

It is expected that decisions on future reforms will be announced in the Spending Review 2021(SR21) including the fair funding review and the business rates reset. However, there is consensus that the funding reform package should not be rushed and that it is crucial to put in place meaningful and well thought through reforms that reflect the lasting changes flowing from the COVID-19 pandemic and ensure that there is a period of financial stability in the interim while new forms are being devised.

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.

Chart 1 shows a range of different financial outcomes that might arise for Rugby Borough Council across the medium term to 2025/26.



These scenarios are based on information currently known and do not factor in the unknown future impact of the COVID-19 pandemic.

The 2021/22 General Fund revenue balanced budget was delivered and approved on 23 February 2021 and totalled a net £10.998m. This is a reduction of £6.438m when compared with 2020/21 and is mainly due to timing and cashflow of business rates collection fund. This is financed from the business rates equalisation reserve.

A summary of the significant income and expenditure items included in the 2021/22 budget includes:

- **£3.196m** 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.
- **£1.100m** recovery fund set aside to mitigate shortfalls in income or increased demand for services following COVID-19. Although the financial impact has been closely monitored during 2020/21, there is not enough knowledge or information on the full impact.
- **(£0.238m)** Income proposals which includes the impact of increased fees and charges where relevant alongside stretched income targets to reflect the anticipated growth in the local economy and commitment to cost recovery of services.
- **(£0.353m)** release of the Revenue Contribution to Capital Outlay. Previously, this budget was a proportion of the New Homes Bonus funding but with the scheme now coming to an end and borrowing costs being historically low, it is proposed that this is now released to support the revenue budget for the year.
- **(£0.372m)** Saving proposals of which £0.245m are linked to growth items following the review of requirements for services within Communities and Homes and Corporate resources.
- **(£0.587m)** transferred from the business rates equalisation reserve as a 'one-off funding' to mitigate against COVID-19 potential pressure and transitional funding following the new SMT structure and the new corporate plan.

- **(£0.644m)** transferred from the business stability reserve as a ‘one-off funding’ to mitigate against funding losses.

The base budget assumptions for business rates 2021/22 (ignoring collection fund) result in very little change from the base budget in 2020/21. However, it needs to be noted that there was significant financial support provided to businesses by the Government which may result in the long term impact not being fully known for some time.

The Government decision to continue to provide a grant for a further year with no legacy payment for New Homes Bonus with the existing thresholds set at 0.4% of growth, means that the Council does not receive NHB funding for the first 172 homes delivered each year. Funding from this scheme is (£1.780m) in 2021/22, which is a decrease of £0.602m compared to 2020/21.

After taking all the previous adjustments in to account, in addition to other corporate adjustments, the 2021/22 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 2021/22, the medium term financial plan identifies budget shortfalls over the forthcoming years in anticipation of the long term reform of local government finance.

### Medium Term Financial Plan

The 2021-25 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 23 February 2021 is illustrated in the table below

	2021/22	2022/23	2023/24	2024/25
	£000s	£000s	£000s	£000s
<b>BASE BUDGET bf including Corporate Adj.</b>	<b>17,071</b>	<b>11,170</b>	<b>13,393</b>	<b>13,320</b>
Growth Requirements	834	363	486	338
Other Corporate Adjustments	70	234	(370)	170
Savings and Income	(757)	(9)	(85)	0
Key Decisions	(336)	655	(275)	(124)
<b>Savings to be Found</b>	<b>0</b>	<b>(2,854)</b>	<b>(16)</b>	<b>0</b>
Movement in Reserves	(5,884)	3,835	187	380
<b>Revised Budget Requirement</b>	<b>10,999</b>	<b>13,393</b>	<b>13,320</b>	<b>14,085</b>
<b>Financed by;</b>				
Government Funding	(2,864)	(1,032)	(374)	(351)
Council Tax	(8,633)	(9,023)	(9,421)	(9,829)
Collection Fund Surplus/Deficit CT	27	14	14	0
Business Rates including Damping	(6,114)	(3,695)	(3,882)	(3,905)
Collection Fund Surplus/Deficit BRR	6,586	343	343	0
<b>Total Funding Requirement</b>	<b>(10,998)</b>	<b>(13,393)</b>	<b>(13,320)</b>	<b>(14,085)</b>
<b>Net Variance</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

Although a balanced budget for 2021/22, there is a deficit of £2.854m in 2022/23 which reflects the estimated impact of the business rates reset, assumed growth, no additional in year NHB rewards and only the final NHB legacy payment.

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 2020/21. 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 (£0.715m) from additional business rates for 2021/22 with a total of (£3.196m) which is 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 in 2022/23.

The significant risks remain on future baseline funding levels and any retention of growth. However, this will continue to be reviewed and updated as further information is made available. The assumptions across the medium term include;

- SFA income across the MTFP is assumed to remain at an estimated level of (£2.745m) on reset from 2022/23. The Review of Relative Needs and Resources 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 reset, it is assumed that there will be a significant reduction in the proportion of growth that the authority retains. With total growth dropping from (£2.996m) in 2021/22 to (£0.777m) in 2022/23 and an overall business rates funding level to assume a baseline of (£2.918m).
- The Council continues to contribute to the BRER with business rates growth above the sustainable baseline.

### Addressing the budget gaps

Whilst the Council 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 MTFP 2020/21 has enabled officers and members to be fully informed of future risks to funding with Officers formulating budgetary plans to address all potential scenarios.

Commercialisation will form a key part of delivering future MTFP's and to support this a trading company structure is being established. In addition to a holding company and shareholders committee being put in place to create a robust governance system, the model will include a Housing Development Company as part of a joint venture with Norse Group. Incorporation of this will take place during 2021/22 and with a view to generate a benefit to local residents and the General Fund through the generation of a return. The company structure is flexible enough to include the potential expansion into other activities subject to business case analysis. Commercialisation will also form a focus within the Council through adopting a different approach to service delivery where appropriate to maximise the benefits of the budget held

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.

## 11. Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been presented for 2021/22. 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 COVID-19, the high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2022/23 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.

## 12. Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2021. 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 2020/21 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 the Council 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.

## **13. 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](tel:01788533533)

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 Chief Officer – Finance and Performance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

### Responsibilities of the Chief Officer – Finance and Performance

The Chief Officer – Finance and Performance, as the designated Section 151 Officer for the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Officer – Finance and Performance 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.

### Certificate of the Chief Officer – Finance and Performance

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 2021 and its expenditure and income for the year then ended.

**Jon Illingworth**  
**Chief Officer – Finance and Performance**

Date 14 December 2021

### 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 14 December 2021

# 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.

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	
5,829	(2,714)	3,115	Growth and Investment		5,163	(2,083)	3,080
13,201	(5,564)	7,637	Environment and Public Realm		12,966	(5,119)	7,847
18,555	(15,607)	2,948	Communities and Homes - General Fund		18,721	(16,275)	2,446
16,731	(16,395)	336	Communities and Homes - HRA		20,228	(16,521)	3,707
2,802	(966)	1,836	Corporate Resources - Non COVID		1,703	(583)	1,120
4	-	4	Corporate Resources - COVID	9	3,847	(401)	3,446
2,806	(966)	1,840	Corporate Resources		5,550	(984)	4,566
2,408	(394)	2,014	Executive Directors Office		2,196	(64)	2,132
<b>59,530</b>	<b>(41,640)</b>	<b>17,890</b>	<b>Total Cost of Services</b>		<b>64,824</b>	<b>(41,046)</b>	<b>23,778</b>
1,302	(181)	1,121	Other Operating Expenditure		1,499	(28)	1,471
4,045	(1,521)	2,524	Financing and Investment Income and Expenditure		3,812	(1,541)	2,271
13,060	(30,282)	(17,222)	Taxation and Non-specific Grant Income		13,272	(41,507)	(28,235)
		<b>4,313</b>	(Surplus)/Deficit on Provision of Services		<b>83,407</b>	<b>(84,122)</b>	<b>(715)</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		(9,376)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(9,044)
		(12,144)	Remeasurement of the net defined benefit liability/(asset)				13,558
		(21,520)	<b>Total Other Comprehensive Income and Expenditure</b>				4,514
		<b>(17,207)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>3,799</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 13 and 14.

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2020	(12,004)	(20,729)	(9,646)	(2,190)	(888)	(45,457)	(144,044)	(189,501)
<b>Movement in Reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	(3,980)	3,265				(715)	4,514	3,799
Adjustments between accounting basis and funding basis under regulations	(6,407)	(2,599)	(255)	(1,184)	242	(10,202)	10,202	-
(Increase)/Decrease in 2020/21	(10,387)	666	(255)	(1,184)	242	(10,917)	14,716	3,799
<b>Balance at 31 March 2021</b>	<b>(22,391)</b>	<b>(20,063)</b>	<b>(9,901)</b>	<b>(3,374)</b>	<b>(646)</b>	<b>(56,374)</b>	<b>(129,328)</b>	<b>(185,702)</b>

In comparison with the prior year the Movements in Reserves was as detailed below. The activity has been restated to reflect the valuation of communal rooms within a small number of Housing Revenue Account properties as detailed in Note 6.

2019/20 (Restated)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2019	(10,197)	(22,119)	(8,941)	(2,544)	(793)	(44,594)	(126,613)	(171,207)
Adjustment to Opening Balance							(1,086)	(1,086)
<b>Restated Balance as at 1 April 2019</b>	(10,197)	(22,119)	(8,941)	(2,544)	(793)	(44,594)	(127,700)	(172,294)
<b>Movement in Reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	3,058	1,255				4,313	(21,520)	(17,207)
Adjustments between accounting basis and funding basis under regulations	(4,865)	135	(705)	354	(95)	(5,176)	5,176	-
(Increase)/Decrease in 2019/20	(1,807)	1,390	(705)	354	(95)	(863)	(16,344)	(17,207)
<b>Balance at 31 March 2020</b>	<b>(12,004)</b>	<b>(20,729)</b>	<b>(9,646)</b>	<b>(2,190)</b>	<b>(888)</b>	<b>(45,457)</b>	<b>(144,044)</b>	<b>(189,501)</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. The figures for 2018/19 and 2019/20 have been restated as detailed in Note 6.

31 March 2019 (Restated) £000	31 March 2020 (Restated) £000		Note	31 March 2021 £000
236,054	244,516	Property, Plant & Equipment	19	246,071
21,934	21,347	Heritage Assets	20	28,546
723	740	Investment Property	21	690
391	352	Intangible Assets		274
16,977	30,580	Long Term Investments	37	39,979
52	49	Long Term Advances	26	279
130	120	Long Term Debtors	27	122
<b>276,261</b>	<b>297,704</b>	<b>Long Term Assets</b>		<b>315,961</b>
51,970	86,163	Short Term Investments	37	82,668
3,107	2,988	Assets Held for Sale	22	3,701
196	171	Inventories		156
7,174	7,772	Short Term Debtors	27	12,083
1,032	17,502	Cash and Cash Equivalents	29	8,542
<b>63,479</b>	<b>114,596</b>	<b>Current Assets</b>		<b>107,150</b>
(29,548)	(59,213)	Short Term Borrowings	37	(63,151)
(12,859)	(14,385)	Short Term Creditors	28	(21,088)
(1,302)	(913)	Short Term Provisions	39	(673)
<b>(43,709)</b>	<b>(74,511)</b>	<b>Current Liabilities</b>		<b>(84,912)</b>
(3,968)	(4,473)	Long Term Provisions	39	(2,698)
(64,509)	(96,488)	Long Term Borrowing	37	(90,600)
(50,692)	(42,787)	Pension Liabilities	36	(53,575)
(4,567)	(4,540)	Grant Receipts in Advance	18	(5,624)
<b>(123,736)</b>	<b>(148,288)</b>	<b>Long Term Liabilities</b>		<b>(152,497)</b>
<b>172,295</b>	<b>189,501</b>	<b>Net Assets</b>		<b>185,702</b>
(44,594)	(45,457)	Usable Reserves	14	(56,374)
(127,700)	(144,044)	Unusable Reserves	24	(129,328)
<b>(172,294)</b>	<b>(189,501)</b>	<b>Total Reserves</b>		<b>(185,702)</b>

Signed	John Illingworth	Date	14 December 2021
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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.

2019/20		Note	2020/21
£000			£000
(4,313)	Net Surplus/(Deficit) on the provision of services		715
12,694	Adjustments to net Surplus/Deficit on the provision of services for non cash movements	30	12,834
(4,814)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	30	5,648
3,567	Net cash flows from Operating Activities		19,197
(52,647)	Investing Activities	31	(17,736)
65,550	Financing Activities	32	(10,421)
16,470	Net increase/(decrease) in cash and cash equivalents		(8,960)
1,032	Cash and cash equivalents at the beginning of the reporting period	29	17,502
17,502	Cash and cash equivalents at the end of the reporting period		8,542



## 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 Comprehensive 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 no accompanying notes.

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

### 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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 (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 from selling 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 are initially recognised at cost and which have a useful life of 3 –10 years and the depreciable amount is therefore written down over that useful life.

## Joint Operations

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

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:
  - Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
  - The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

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



### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

### **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, that is, 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.

### **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 Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

A number of accounting changes are being adopted by the Code in 2020/21 as detailed below.

- Definition of a Business: Amendments to IFRS3 Business Combinations,
- Interest Rate Benchmark Reform: Amendments to IFRS9, IAS39 and IFRS7,
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16

It is not expected that any of the amendments will have a material impact on the Council's financial statements.

#### IFRS16

The International Accounting Standards Board has issued International Financial Reporting Standard 16 -Leases (IFRS 16) which, when adopted by the Code, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but implementation has now been deferred to the 2022/23 financial year. The change in accounting treatment is not expected to have a significant impact on the Council's financial statements.

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

#### Going Concern

Local Authorities are required by the Code of Practice on Local Authority Accounting 2020/21 to prepare their accounts on the going concern basis, that is that the functions of the Council will continue in operational existence for the foreseeable future, as a local authority can only be discontinued as a result of statutory prescription.

The Council faces significant cost pressures due to inflation, increasing demand for its services, new burdens and other pressures. These cost pressures have been exacerbated by the COVID-19 pandemic, both in the Council's response to the crisis and the fall in income as a result of the economic situation.

The Council has a control environment that will help to manage and minimise risks inherent in its budgets for future years, including a robust approach to financial planning, regular reporting to members and senior officers, using performance reporting as an early warning system and an internal audit function assessing controls and processes.

The Council also continues to focus on commercialisation, effective contract management and working with partners to secure value for money in delivering its strategic aims and priorities.

The Council has a strong track record in terms of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence. Therefore, whilst the financial challenge facing the Council is significant, there is no evidence to indicate that the assets of the Council might be impaired due to the need to reduce service provision.

On the basis of the controls in place, the Council considers that it can continue to meet its liabilities as they fall due, supporting the preparation of the financial statements on a going concern basis irrespective of the statutory requirements.

### Property, Plant and Equipment

Property, Plant and Equipment assets included in the Balance Sheet at current value are re-valued at least once every five years. At each year end, a review is undertaken by the Council's valuer to determine whether the carrying amount of those assets not forming part of the annual cycle of asset revaluations is consistent with their current value. In limited circumstances, property assets are valued at 'fair value' (a price reflecting their best and highest use). Property assets valued on this basis comprise investment properties, surplus assets and non-current assets held for sale where their fair value is lower than the value in existing use. The criteria for assessing property assets into one of these three categories are subject to a degree of interpretation and judgement.

### Leases

The Council has examined its leases, and arrangements that have the substance of a lease, and classified them as either operating or finance leases. In some cases, the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

### Provisions and contingencies

The Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties, legal and other claims that could eventually result in the payment of compensation or other settlement.

The judgements are based on the degree of certainty around the results of pending cases.

### COVID-19 Grant support arrangements

To support the economy during the COVID-19 pandemic, the Government has made substantial funds available, a number of which have been allocated to local authorities for distribution.

In accounting for the grants, the Council has made judgements as to whether, for each individual grant, it is acting as the principal or as agent in their distribution based on the level of control the Council has in determining allocations to recipients. Details of the material grants are shown in the relevant notes to the accounts.

## 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 2021 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	<p>The declaration of COVID-19 as a global pandemic by the World Health Organisation has impacted global financial markets. As a result, market activity has been impacted in many sectors and the Council's valuers have determined that they can attach less weight for comparison purposes to inform opinions of value.</p> <p>The Council's valuers are therefore reporting their valuations on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the Royal Institution of Chartered Surveyors Red Book. This means that they consider 'less certainty and a higher degree of caution should be attached to their valuations.</p> <p>The Council's valuer has advised that the Council should keep its assets under frequent review.</p>	<p>The value of Property, Plant and Equipment and Investment Properties will be subject to review, so there may be future changes to the values shown in the Balance Sheet as at 31 March 2021.</p> <p>A 1% variation in asset value would have the following impact on major asset values:</p> <ul style="list-style-type: none"> <li>• Council Dwellings - £1.97m</li> <li>• Other Land &amp; Buildings - £0.31m</li> </ul>
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 COVID-19 pandemic left valuers short of data on which to provide confident fund valuations whilst the COVID-19 Pandemic continues. Fund managers have been unable to be sure that prices reflected the true balance of interest of both investors and those wishing to deal, therefore transactions for purchases of new units have been suspended in those funds. It is anticipated that market valuations reflecting true operating conditions will resume later in the year as the COVID-19 Pandemic subsides and economic activity starts to recover.</p>	<p>The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet in the future. Fair value gains and losses are recognised as they arrive in the Surplus/Deficit on the Provision of Services. The Council uses the statutory override introduced by MHCLG in 2019/20 to transfer these gains/losses to the Financial Instruments Revaluation Reserve.</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 2021, a total provision of £8.119m was made for potential future appeal refunds. Rugby Borough Council's 40% share of this provision is £3.248m. The effect of a change in the provision is as follows:</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		25% higher/lower: £0.812m 50% higher/lower: £1.624m
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. Warwickshire County Council uses consulting actuaries to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effect on the pension net liability of changes in individual assumptions can be measured. For example, a 0.5% increase in the real discount rate would result in a decrease in the pension liability of £18.094m. However, the assumptions interact in complex ways and actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term.  A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 36 Pension Costs.

As per the Council’s accounting policies, other estimation techniques may be used for the purposes of producing the Accounts.

## Note 6. Prior Period Adjustments

During the annual valuation cycle of the Council's non-current assets, it was recognised that community rooms within certain types of Council Housing accommodation had not been included in previous valuations. As a result the Council's valuer has undertaken valuations of the relevant assets. As valuations have not moved significantly between years, and given the useful economic life of the assets, any depreciation charged in year would not be material only the balance sheet amounts have been adjusted.

For the Opening balances of the 2019/20 financial year, the impact of the prior period adjustment is:

	Original Opening Balance as at 1 April 2019	Prior Period Adjustment	Restated Opening Balance as at 1 April 2019
	£000	£000	£000
<b>Assets and Liabilities</b>			
Council Dwellings	188,703	1,086	189,789
Property, Plant & Equipment	234,967	1,086	236,053
Total Long Term Assets	275,174	1,086	276,260
Net Assets/Liabilities	171,207	1,086	172,293
<b>Reserves</b>			
Capital Adjustment Account	(130,794)	(1,086)	(131,880)
Unusable Reserves	(126,613)	(1,086)	(127,699)
Total Reserves	(171,207)	(1,086)	(172,293)

For the closing balances of the 2019/20 financial year, the impact of the prior period adjustment is:

	Original Closing Balance as at 31 March 2020	Prior Period Adjustment	Restated Closing Balance as at 31 March 2020
	£000	£000	£000
<b>Assets and Liabilities</b>			
Council Dwellings	195,487	1,086	196,573
Property, Plant & Equipment	243,430	1,086	244,516
Total Long Term Assets	296,618	1,086	297,704
Net Assets/Liabilities	188,415	1,086	189,501
Capital Adjustment Account	(131,319)	(1,086)	(132,405)
Unusable Reserves	(142,958)	(1,086)	(144,044)
Total Reserves	(188,415)	(1,086)	(189,501)

## Note 7. Officers Remuneration

### Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave of absence occurs.

The Council is required to disclose details of certain elements of benefits payable to its employees. 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 (A)	2020/21	42,510	300	-	8,380	51,190	a
	2019/20	99,300	20	-	19,070	118,390	
Executive Director (B)	2020/21	96,630	-	-	19,040	115,670	b
	2019/20	71,980	-	-	13,820	85,800	
Deputy Executive Director	2020/21	55,700	-	-	10,970	66,670	c
	2019/20	-	-	-	-	-	
Head of Communities & Homes	2020/21	73,960	-	-	14,570	88,530	
	2019/20	71,980	-	-	13,820	85,800	
Acting Chief Finance Officer	2020/21	59,820	-	-	11,100	70,920	d
	2019/20	-	-	-	-	-	-
Head of Environment & Public Realm	2020/21	23,990	-	-	4,730	28,720	e
	2019/20	71,980	-	-	13,820	85,800	
Head of Growth & Investment	2020/21	73,960	-	-	14,570	88,530	
	2019/20	69,350	-	-	13,320	82,670	
Monitoring Officer	2020/21	59,747			11,335	71,082	
	2019/20	53,418			10,256	63,674	

Senior Officers served for the whole of 2020/21 and 2019/20 unless as stated:

- a. Executive Director (A) left the Council on 31 August 2020
- b. Executive Director (B) started in the position on the 1 April 2020 having held the position of Head of Corporate Resources and Section 151 Officer for the 2019/20 financial year.
- c. The Head of Service for Environment & Public Realm was recruited to the position of Deputy Executive Director on 21 July 2020
- d. Following recruitment to the Executive Director post, note 2 above, the Council appointed an Acting Chief Finance Officer, and Section 151 Officer, for the period 1 April 2020 to 31 March 2021
- e. The position of Head of Service for Environment & Public Realm has remained vacant since 21 July 2020.

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	2019/20	2020/21
	Number of employees	Number of employees
£50,000 - £54,999	1	-
£55,000 - £59,999	-	1
£60,000 - £64,999	1	1

### Exit Packages

Exit Packages (Termination Benefits) are amounts payable as a result of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income & Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

Rugby Borough Council terminated the contracts of 2 employees in 2020/21 (8 in 2019/20), incurring liabilities of £0.010m (£0.097m in 2019/20). 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0 - £20,000	-	-	7	2	7	2	73,240	9,670
£20,001 - £40,000	-	-	1	-	1	-	24,070	-
Total	-	-	8	2	8	2	97,310	9,670

## Note 8. Members' Allowances

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

2019/20 £000		2020/21 £000
353	Allowances	361
6	Employers' National Insurance	6
8	Expenses	5
367	Total	372

## Note 9. Material Items in the Comprehensive Income & Expenditure Statement

The Council has received significant Government funding in 2020/21 to support the national response to mitigate the impact of the COVID-19 pandemic as detailed in the Narrative Report.

The Council received grant funding on two separate bases, one where it had an element of control of the basis of allocation of the resources made available and the second where the Council passported the money received through to the recipients.

Where the Council had an element of control, the activity is recorded in these financial statements. Where the Council passported the payments through, the Council considers that it was acting as on an agency basis and therefore has not reflected that activity in these accounts except for where there is an element of funding still to allocate which is recorded in creditors.

Details of grants received in respect of specific COVID-19 funding are set out in note 18 to these accounts.

## Note 10 – 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.

2020/21					
	Amounts Reported to Members and Management £000	Management Accounting Adjustments £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Growth and Investment	3,398	(890)	2,508	572	3,080
Environment & Public Realm	7,412	(1,786)	5,626	2,221	7,847
Communities and Homes – General Fund	2,442	(889)	1,553	893	2,446
Communities and Homes - HRA	(3,661)	(2,915)	(6,576)	10,283	3,707
Corporate Resources - Non COVID	1,114	(173)	941	179	1,120
Corporate Resources - COVID	(1,653)	5,099	3,446	-	3,446
Corporate Resources	(539)	4,926	4,387	179	4,566
Executive Directors Office	2,145	(128)	2,017	115	2,132
Net Cost of Services	11,197	(1,682)	9,515	14,263	23,778
Other Income and Expenditure	(11,197)	(8,039)	(19,236)	(5,257)	(24,493)
(Surplus) or Deficit	-	(9,721)	(9,721)	9,006	(715)
Opening General Fund and HRA Balances			(32,733)		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balances in Year			(9,721)		
Closing General Fund and HRA Balances at 31 March			(42,454)		

2019/20					
	Amounts Reported to Members and Management £000	Management Accounting Adjustments £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Growth and Investment	2,952	(885)	2,067	1,049	3,116
Environment & Public Realm	7,893	(2,054)	5,839	1,797	7,636
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 - Non COVID	1,008	(142)	866	970	1,836
Corporate Resources - COVID	4		4		4
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	(6,652)	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 Balances			(32,316)		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balances in Year			(417)		
Closing General Fund and HRA Balances at 31 March			(32,733)		

## Note 11. Notes to the Expenditure and Funding Analysis

This analysis provides detail of the main adjustments from the Net Expenditure Chargeable to the General Fund and HRA balances to the Comprehensive Income and Expenditure, split between Management Accounting Adjustments and Statutory Adjustments

### Management Accounting Adjustments

These adjustments reflect items that are reported to management as part of regular monitoring reports but which do not impact on usable reserves. These movements largely relate to adjustments for pensions, capital charges to services and grants recorded against services that fall within Other Income and Expenditure.

	2020/21				
	Pension	Depreciation	Reserve movement	Other	Total
	£000	£000	£000	£000	£000
Growth and Investment	(59)	(580)	(215)	(36)	(890)
Environment & Public Realm	(138)	(1,624)	37	(61)	(1,786)
Communities and Homes – General Fund	(79)	(521)	(99)	(190)	(889)
Communities and Homes - HRA	(275)	(3,249)	(48)	657	(2,915)
Corporate Resources - Non COVID	(62)	(39)	(72)	-	(173)
Corporate Resources – COVID	-	-	-	5,099	5,099
Corporate Resources	(62)	(39)	(72)	5,099	4,926
Executive Directors Office	(19)	(4)	(105)	-	(128)
Net Cost of Services	(632)	(6,017)	(502)	5,469	(1,682)
Other Income and Expenditure			-	(8,038)	(8,039)
(Surplus)/Deficit	(632)	(6,017)	(502)	(2,570)	(9,721)

2019/20					
	Pension	Depreciation	Reserve movement	Other	Total
	£000	£000	£000	£000	£000
Growth and Investment	(52)	(694)	(139)	-	(885)
Environment & Public Realm	(134)	(1,568)	(228)	(124)	(2,054)
Communities and Homes – General Fund	(74)	(362)	247	(38)	(227)
Communities and Homes - HRA	(61)	(94)	353	(3,460)	(3,262)
Corporate Resources - Non COVID	(55)	(69)	10	(28)	(142)
Corporate Resources - COVID	-	-	-	-	-
Corporate Resources	(55)	(69)	10	(28)	(142)
Executive Directors Office	(20)	-	(62)	-	(82)
Net Cost of Services	(396)	(2,787)	181	(3,650)	(6,652)
Other Income and Expenditure			168	6,117	6,285
(Surplus)/Deficit	(396)	(2,787)	349	2,467	(367)

## Statutory Adjustments

These adjustments reflect the movements from the funding basis of the accounts, that is the amounts chargeable to Council Tax or Housing Rents, to the IFRS accounts basis. The major adjustments relate to capital charges, including impairment and pension adjustments under IAS19.

2020/21				
	Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Growth and Investment	313	219	40	572
Environment & Public Realm	1,618	506	97	2,221
Communities and Homes – General Fund	473	327	93	893
Communities and Homes - HRA	9,956	275	52	10,283
Corporate Resources - Non COVID	12	91	76	179
Corporate Resources - COVID	-	-	-	-
Corporate Resources	12	91	76	179
Executive Directors Office	(1)	91	25	115
Net Cost of Services	12,371	1,509	383	14,263
Other Income and Expenditure			(5,256)	(5,256)
(Surplus)/Deficit	12,371	1,509	(4,873)	9,007

2019/20				
	Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Growth and Investment	704	345	-	1,049
Environment & 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 - Non COVID	283	687	-	970
Corporate Resources - COVID	-	-	-	-
Corporate Resources	283	687	-	970
Executive Directors Office	-	131	-	131
Net Cost of Services	9,299	2,990	-	12,289
Other Income and Expenditure	(9,285)	1,249	476	(7,560)
(Surplus)/Deficit	14	4,239	476	4,729

## Note 12. Expenditure and Income Analysed by Nature

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

	2019/20	2020/21
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	21,276	20,801
Other service expenses	27,667	30,908
Depreciation, amortisation, impairment	10,587	13,115
Interest payments	2,520	2,781
Net interest on the net defined benefit liability	1,249	1,031
Precepts and levies	809	856
Payments to housing capital receipts pool	493	405
Loss on the disposal of assets	-	238
<b>Total expenditure</b>	<b>64,601</b>	<b>70,135</b>
<b>Income</b>		
Fees, charges and other service income	(11,727)	(10,703)
HRA dwelling rents	(15,172)	(15,482)
Interest and investment income	(1,246)	(1,541)
Income from council tax, non-domestic rates	(12,898)	(10,150)
Government grants and contributions	(19,064)	(32,946)
Gain on disposal of assets	(181)	(28)
<b>Total income</b>	<b>(60,288)</b>	<b>(70,850)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>4,313</b>	<b>(715)</b>

## Note 13. 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.

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(2,092)	(452)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	99	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(3,500)	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(329)	(52)	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,193)	(10,134)	-	-	(23)
<b>Total Adjustments to Revenue Resources</b>	<b>(8,015)</b>	<b>(10,638)</b>	<b>-</b>	<b>-</b>	<b>(23)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	66	1,836	(1,903)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(405)	-	405	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,249	-	(3,249)	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,459	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	488	2,953	-	-	-
Other Adjustment	-	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,608</b>	<b>8,038</b>	<b>(1,498)</b>	<b>(3,249)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,243	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,066	-
Application of capital grants to finance capital expenditure	-	-	-	-	265
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,243</b>	<b>2,066</b>	<b>265</b>
<b>Total Adjustments</b>	<b>(6,407)</b>	<b>(2,600)</b>	<b>(255)</b>	<b>(1,183)</b>	<b>242</b>

2019/20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(3,563)	(676)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(276)	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(253)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,610)	(8,933)	-	-	(99)
<b>Total Adjustments to Revenue Resources</b>	<b>(6,702)</b>	<b>(9,609)</b>	<b>-</b>	<b>-</b>	<b>(99)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	252	2,521	(2,773)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(493)	-	493	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	2,075	-	(2,075)	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,560	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	487	5,148	-	-	-
Other Adjustments	32	-	-	(30)	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,838</b>	<b>9,744</b>	<b>(2,280)</b>	<b>(2,105)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,578	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,460	-
Application of capital grants to finance capital expenditure	-	-	-	-	3
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,578</b>	<b>2,460</b>	<b>3</b>
<b>Total Adjustments</b>	<b>(4,864)</b>	<b>135</b>	<b>(702)</b>	<b>355</b>	<b>(96)</b>

## Note 14. 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 2021/22 and future years.

	31 March 2020 £000	Transfers Out £000	Transfers In £000	31 March 2021 £000
Budget Stability Reserve	(2,494)	80	(634)	(3,048)
Business Rates Equalisation Reserve	(3,646)	-	(8,701)	(12,347)
Section 106 (Developer) Contributions - Revenue	(1,152)	192	(20)	(980)
Emergency climate reserve	-	-	(500)	(500)
Transformation Fund	-	-	(500)	(500)
Revenue Grants & Contributions from Third Parties	(409)	241	(445)	(613)
Welfare Support Reserve	(439)	526	(547)	(460)
Town Centre Improvement Reserve	(327)	135	-	(192)
Hall of Fame Licence Reserve	(300)	120	-	(180)
Carry forward Reserve	(331)	331	(585)	(585)
Other smaller reserves e.g. plant & equipment reserves	(655)	66	(146)	(735)
<b>Total General Fund Earmarked Reserves</b>	<b>(9,753)</b>	<b>1,691</b>	<b>(12,078)</b>	<b>(20,140)</b>
Housing Repairs Account	(668)	4,331	(3,979)	(316)
Housing Revenue Account Capital Balances	(14,765)	2,953	(2,590)	(14,402)
Sheltered Accommodation	(212)	-	(48)	(260)
<b>Total HRA Earmarked Reserves</b>	<b>(15,645)</b>	<b>7,284</b>	<b>(6,617)</b>	<b>(14,978)</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>(25,398)</b>	<b>8,975</b>	<b>(18,695)</b>	<b>(35,118)</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 2020/21, (£0.242m) was added to the reserve as planned during budget setting. The balance of the reserve was increased by a further (£0.312m) 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. (£0.992m) was added to the reserve as planned during budget setting with a further (£6999m) being added after the year end position was known. The Council's share of the Collection Fund deficit on collection of business rates for 2020/21 was £4.086m, the balance on this reserve can be used to fund this deficit when it is charged to the General Fund in future years.

### **Emergency climate Reserve**

This new reserve of (£0.500m) was approved by Full Council as part of the budget setting process in February 2020. It is established to support the Council objectives to move operations towards carbon neutrality by 2030. This work programme relating to the climate emergency will be co-ordinated through a working group with regular updates and individual workstream approvals to be requested where necessary.

### **Transformation Fund Reserve**

This new reserve of (£0.500m) was requested to be approved by Full Council to support the transformation unit to facilitate significant service redesign which will support the delivery of the Corporate Strategy and in the achievement of delivering a balanced medium-term financial plan. The creation of this specific reserve will enable the unit to react quickly to any resource requirements that may be necessary.

### **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 the Council anticipates 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.

### **Hall of Fame Reserve**

This reserve is set aside to cover any remedial costs in the closure of the Hall of Fame which was approved by Council during 2021. The in year transfer mitigated the loss of income from sponsorship and will also enable the loss to be covered next year as the decisions were not taken until after the budget was set for 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

Annual 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 15. Other Operating Expenditure

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

2019/20 £000	Other Operating Expenditure	2020/21 £000
808	Parish Council Precepts	856
493	Payments to the Government housing capital receipts pool	405
(123)	Other Income - Unattached Receipts	(28)
(58)	(Gains)/Losses on the disposal of non-current assets	238
<b>1,120</b>	<b>Total</b>	<b>1,471</b>

## Note 16. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

2019/20 £000	Financing and Investment Income and Expenditure	2020/21 £000
2,520	Interest Payable and similar charges	2,781
1,249	Net interest on the net defined benefit liability	1,031
(1,455)	Interest Receivable and similar income	(1,440)
(66)	Income and expenditure in relation to investment properties and changes in their fair value	(49)
276	(Gains)/Impairment of financial assets	(52)
<b>2,524</b>	<b>Total</b>	<b>2,271</b>

The loss on financial assets in 2020/21 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 and equity investments in year.

## Note 17. Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

2019/20 £000	Taxation and Non-Specific Grant Income	2020/21 £000
(7,996)	Council Tax Income	(8,351)
(17,962)	Retained Business Rates	(15,072)
13,060	Business Rates Tariff Payment	13,272
(4,008)	Non ring-fenced Government grants	(15,898)
(316)	Capital grants and contributions	(2,186)
<b>(17,222)</b>	<b>Total</b>	<b>(28,235)</b>

## Note 18. 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 & 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.

2019/20 £000	Total Grants Credited to Taxation and Non-Specific Grant Income	2020/21 £000
(2,141)	New Homes Bonus	(2,382)
(1,568)	Business Rates Section 31 Grants	(8,121)
(299)	Other Non-Specific Revenue Grants	(296)
-	COVID-19 Non-Specific Revenue Grants	(5,098)
(4,008)	Revenue Grants	(15,898)

-	Capital Grants Non-Conditional	(16)
(59)	Capital Section 106 Funding Non-Conditional	(32)
(240)	Capital Grants Conditional	(834)
(17)	Capital Section 106 Funding Conditional	(1,305)
(316)	Capital Grants	(2,186)
(4,324)	Total	(18,084)

2019/20 £000	Grants included as income in the Net Cost of Services	2020/21 £000
	<b>Credited to Services</b>	
(12,781)	Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,937)
(216)	DWP- Trailblazer Homelessness / MHCLG Preventing Homelessness	(242)
(70)	MHCLG - Rough Sleeping Initiative	(150)
(53)	Apprenticeship Levy - Conditional Grant Digital Account	(60)
(277)	Section 106 Revenue Contributions for Grounds and Waste Services	(160)
(131)	DWP - Discretionary Housing Allowance Subsidy	(205)
(52)	DWP - Additional Housing Benefit and Welfare grants	(43)
(62)	MHCLG - Neighbourhood Planning and Custom Build Grant	(20)
-	MHCLG - Sales Fees and Charges compensation Scheme	(962)
-	Next Steps Programme	(173)
-	COVID-19 - WCC COMF	(400)
-	COVID-19 - Arts	(71)
-	COVID-19 Compliance and Enforcement	(53)
(242)	Other Revenue Grants & Section 106 Funding	(68)
(13,884)	Revenue Grants and Contributions	(15,544)
(632)	MHCLG - Disabled Facilities Grant	(717)
(656)	Section 106 & Other Capital Conditional and Non Conditional Funding	(26)
(1,288)	Capital Grants and Contributions	(743)
(15,172)	Total Grants Credited to Services	(16,287)

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:

2019/20 £000		2020/21 £000
(625)	Revenue Section 106 Funding	(783)
(48)	Amounts Held for Specific Reasons	(48)
(105)	Other Revenue grants	(2,143)
(778)	Revenue Receipts Held in Advance	(2,974)
(3,488)	Capital Section 106 funding	(2,578)
(275)	Other Capital grants	(71)
(3,762)	Capital Receipts Held in Advance	(2,649)
(4,540)	Total Receipts Held in Advance	(5,624)

The Council has also received substantial Government funding during the year to passport to recipients to limit the financial impacts of COVID-19 on the economy. The Council has determined that, in the allocation of these grants, it is acting as an agent of the Government as the terms of payment and the recipients are not determined by the Council, and the associated income and expenditure do not form part of the Council's financial statements. The balance left unpaid at the year-end is held as a creditor. Details of the funds received where the Council acts as agent are detailed below.

Grants received where the Council acts as an Agent	2020/21 Income £000	2020/21 Expenditure £000	2020/21 Balance £000
Dept of Business, Energy & Industrial Strategy - Creditor	(28,391)	25,315	(3,076)
Test and Trace Support Scheme	(149)	95	(54)
Business Improvement Districts Support Grant	(31)	31	-
England Sports Council	(212)	212	-
<b>Total</b>	<b>(28,783)</b>	<b>25,653</b>	<b>(3,130)</b>

## Note 19. Property, Plant and Equipment

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

### Recognition

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

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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, for example, vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

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

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

### Impairment Losses

No impairments were recognised in the year following a review of asset compliance with our componentisation policy.

### 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 above. 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 of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 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 Chartered Surveyors, as at 1 January 2020. All valuations (formal and desktop) are carried out on a maximum five year rolling programme basis in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance). A desktop review was carried out at 1 January 2021.

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-March 2020/21 Mr Mawson valued a number of properties for 2020/21 totalling £17.428m 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 2021/22 to maintain the revised four-year rolling programme. Car parks were revalued in the year due to the impact of COVID-19 on their values and it is proposed that they be revalued during 2021/22 to determine any changes arising from the relaxation of the current restrictions in place.

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 2021 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 COVID-19 pandemic and its impact on valuations, with a focus on financial reporting and measures for the accurate consistent reporting of material uncertainty. 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.

### Restatement

During the annual valuation cycle of the Council's non-current assets, it was recognised that community rooms within certain types of Council Housing accommodation had not been included in previous valuations. As a result the Council's valuer has undertaken valuations of the relevant assets. As valuations have not moved significantly between years, and given the useful economic life of the assets, any depreciation charged in year would not be material only the balance sheet amounts have been adjusted. Details are set out in Note 6, Prior Period Adjustments.

2020/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2020</b>	<b>204,583</b>	<b>32,201</b>	<b>13,200</b>	<b>6,562</b>	<b>915</b>	<b>2,787</b>	<b>5,069</b>	<b>265,317</b>
Additions	7,144	58	2,590	587	-	-	4,096	14,475
Derecognition - disposals	(1,258)	-	(1,367)	-	-	-	-	(2,625)
Derecognition - componentisation	(748)	-	-	-	-	-	-	(748)
Reclassification	4,327	-	-	-	-	488	(5,537)	(722)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,062	(409)	-	-	-	669	-	1,322
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(9,728)	(68)	-	-	-	(47)	-	(9,843)
Other movements in cost or valuation	-	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>205,382</b>	<b>31,782</b>	<b>14,423</b>	<b>7,149</b>	<b>915</b>	<b>3,897</b>	<b>3,628</b>	<b>267,176</b>
<b>Depreciation and impairment</b>								
At 1 April 2020	(8,010)	(1,096)	(9,121)	(2,533)	(20)	(21)	-	(20,801)
Charge for 2020/21	(2,997)	(575)	(1,179)	(308)	-	(4)	-	(5,063)
Derecognition - disposals	32	-	1,279	-	-	-	-	1,311
Reclassification	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	3,005	443	-	-	-	-	-	3,448
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2021	(7,970)	(1,228)	(9,021)	(2,841)	(20)	(25)	-	(21,105)
<b>Balance Sheet at 31 March 2021</b>	<b>197,412</b>	<b>30,554</b>	<b>5,402</b>	<b>4,308</b>	<b>895</b>	<b>3,872</b>	<b>3,628</b>	<b>246,071</b>

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 with a desktop review at 1 January 2021.

2019/20 (Restated)	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non- Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000		£000	£000
<b>At 1 April 2019</b>	<b>197,073</b>	<b>32,843</b>	<b>13,651</b>	<b>6,461</b>	<b>909</b>	<b>2,653</b>	<b>2,286</b>	<b>255,876</b>
Adjustment to Opening Balance	1,086							1,086
<b>Restated Opening Balance</b>	<b>198,159</b>	<b>32,843</b>	<b>13,651</b>	<b>6,461</b>	<b>909</b>	<b>2,653</b>	<b>2,286</b>	<b>256,962</b>
Additions	5,808	257	594	101	6	-	3,149	<b>9,915</b>
Derecognition - disposals	(1,502)	(125)	(1,045)	-	-	-	-	<b>(2,672)</b>
Derecognition - componentisation	(848)	-	-	-	-	-	-	<b>(848)</b>
Reclassification	313	1	-	-	-	-	(366)	<b>(52)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,397	(25)	-	-	-	4	-	<b>9,376</b>
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(6,744)	(750)	-	-	-	130	-	<b>(7,364)</b>
Other movements in cost or valuation	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>204,583</b>	<b>32,201</b>	<b>13,200</b>	<b>6,562</b>	<b>915</b>	<b>2,787</b>	<b>5,069</b>	<b>265,317</b>
<b>Depreciation and impairment</b>								
At 1 April 2019	<b>(8,370)</b>	<b>(1,164)</b>	<b>(9,118)</b>	<b>(2,210)</b>	<b>(20)</b>	<b>(27)</b>	-	<b>(20,909)</b>
Charge for 2019/20	(2,964)	(592)	(1,024)	(323)	-	(4)	-	<b>(4,907)</b>
Derecognition - disposals	39	-	1,021	-	-	-	-	<b>1,060</b>
Reclassification	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	2,822	660	-	-	-	10	-	<b>3,492</b>
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	463	-	-	-	-	-	-	<b>463</b>
<b>At 31 March 2020</b>	<b>(8,010)</b>	<b>(1,096)</b>	<b>(9,121)</b>	<b>(2,533)</b>	<b>(20)</b>	<b>(21)</b>	-	<b>(20,801)</b>
<b>Balance Sheet at 31 March 2020</b>	<b>196,573</b>	<b>31,105</b>	<b>4,079</b>	<b>4,029</b>	<b>895</b>	<b>2,766</b>	<b>5,069</b>	<b>244,516</b>

	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)
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	14	-	-	-	14	13,726	13,740
Valued at current cost in:								
2020/21	197,412	15,626	1,112	690	709	215,549		215,549
2019/20		1,188	2,760			3,948		3,948
2018/19		4,496			2,992	7,488	507	7,995
2017/18		9,230				9,230		9,230
Total	197,412	30,554	3,872	690	3,701	236,229	14,233	250,462

## Note 20. Heritage Assets

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

- Art & Social History Collections
- Monuments & Statues
- Historic sites / 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 & 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	Art & Social History Collections	Monuments & Statues	Historic Sites/Buildings	Civic Regalia	Total Assets
	£000	£000	£000	£000	£000	£000
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
Cost or Valuation						
1 April 2020	190	5,306	685	14,952	215	21,348
Additions	-	32	-	60	-	92
Revaluations	-	6	-	7,716	-	7,722
Reclassifications	-	-	-	-	-	-
Depreciation	(190)	-	-	(426)	-	(616)
31 March 2021	-	5,344	685	22,302	215	28,546

### 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 previously being reported in the Balance Sheet at historic cost. A further revaluation of the bridges was undertaken in 2020/21, leading to an increase in value of £7.716m based on the latest insurance valuations.

### Additions and Disposals of Heritage Assets

During the year, the Council purchased a work by Gillian Wearing, CBE, and undertook work on the Great Central Walk Bridges.

### 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 – 20th 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 digitalisation programme.

## Note 21. 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 & 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. During the year one of the properties was sold.

The following table shows the net movement in the fair value of investment properties during 2020/21.

	2019/20 £000	2020/21 £000
Balance at 1 April	723	740
Net gains/(losses) from fair value adjustments	17	-
Derecognition - disposals	-	(50)
Balance at 31 March	740	690

### Note 22. 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 its fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

	2019/20 £000	2020/21 £000
Balance at 1 April	3,107	2,988
Revaluation gains/(losses)	-	-
Assets Sold	(131)	-
Additions	12	4
Reclassification	-	709
Balance at 31 March	2,988	3,701

## Note 23. Capital Expenditure and Financing

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

### 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 2019/20 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

At 31 March 2021, the Council had capital commitments of £1.6m (31 March 2020: £3.3m) in respect of bathroom upgrade contracts, Bell House redevelopment and Biart Place demolition contract

### Capital Financing Requirement

The table below details the movements on the Council's Capital Financing Requirements.

	2019/20	2020/21
	£000	£000
Opening Capital Financing Requirement (CFR)	83,830	82,592
Capital Investment:		
Property, Plant, and Equipment and Assets Held for Sale	9,927	14,480
Heritage Assets	-	92
Intangible Assets	312	148
Revenue Expenditure Funded from Capital under Statute	1,280	803
Capital Investment Total	11,519	15,523
Sources of Financing:		
Capital Receipts	(1,578)	(1,243)
Government Grants & Other Contributions	(1,523)	(3,163)
Sums Set Aside from Revenue	(5,508)	(3,441)
Earmarked Reserves	(2,587)	(2,065)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,561)	(1,459)
Financing Total	(12,757)	(11,371)
Closing Capital Financing Requirement (CFR)	82,592	86,744
Explanation of movements in year:		
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,238)	4,152
Increase / (decrease) in Capital Financing Requirement	(1,238)	4,152

## Note 24. Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments. These reserves are not available to spend. The data for 2018/19 and 2019/20 have been restated to reflect the amendments to the carrying value of Council dwellings as detailed on Note 6, Prior Period Adjustment

31 March 2019 (Restated) £000	31 March 2020 (Restated) £000		31 March 2021 £000
(32)	(29)	Housing Act - Deferred Capital Receipt	(29)
(46,520)	(54,965)	Revaluation Reserve	(62,856)
(131,880)	(132,406)	Capital Adjustment Account	(129,682)
(481)	(205)	Financial Instruments Revaluation Reserve	(304)
50,692	42,787	Pension Reserve	58,888
393	646	Collection Fund Adjustment Account	4,146
129	128	Accumulated Absences Account	509
(127,699)	(144,044)		(129,328)

Details of the significant unusable reserves are set out in further tables below.

### Revaluation Reserve

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

2019/20 Total £000		2020/21		
		General Fund £000	HRA £000	Total £000
(46,520)	<b>Opening Balance</b>	(28,620)	(26,345)	(54,965)
(11,360)	Upward Revaluation of assets	(8,584)	(2,114)	(10,698)
1,984	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,432	222	1,654
(55,896)	<b>Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	(35,772)	(28,237)	(64,009)
684	Difference between fair value depreciation and historical cost depreciation	506	443	949
247	Accumulated gains on assets sold or scrapped		204	204
(54,965)	<b>Balance as at 31 March</b>	(35,266)	(27,590)	(62,856)

### 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. The figures for 2019/20 have been restated to reflect the valuation of Community Rooms as set out in Note 6, Prior Period Adjustments.

2019/20 £000		2020/21	
		£000	£000
(130,794)	<b>Opening Balance</b>		(132,405)
(1,086)	Adjustment to Opening Balance		
(131,880)	<b>Restated Opening Balance</b>		(132,405)
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
1,994	General Fund charges for depreciation of non-current assets	2,240	
3,200	HRA charges for depreciation of non-current assets	3,249	
3,409	Revaluation and impairment loss: Property, Plant & Equipment	6,395	
704	Amortisation of Intangible Assets	428	
-	Changes in the Fair Value of Financial Instruments	20	
1,280	Revenue Expenditure funded from Capital under Statute	803	
2,592	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	2,113	
<b>13,179</b>			<b>15,248</b>
(931)	Adjusting Amounts written out of the Revaluation Reserve		(1,153)
<b>(119,632)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(118,310)</b>
	Capital financing applied in the year		
(1,578)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,243)	
(5,635)	Capital expenditure charged against the General Fund & HRA balances	(3,441)	
(2,460)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,065)	
(1,523)	Capital Grants & Contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(3,163)	
(1,560)	Provision for the financing of capital investment charged against the General Fund & HRA	(1,458)	
<b>(12,756)</b>			<b>(11,370)</b>
(17)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		-
<b>(132,405)</b>			<b>(129,680)</b>

### Pension 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.

The difference of £5.313m between the Pensions Reserve and the Pensions Liabilities has been estimated at 31 March 2021 and represents the net present value of the employer contributions for 2021/22 and 2022/23 paid in April 2020.

31 March 2020 £000		31 March 2021 £000
50,692	Balance at 1 April	42,787
(12,144)	Remeasurement of the net defined benefit liability	13,558
7,037	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,323
(2,798)	Employer's pensions contributions and direct payments to retiree's payable in the year	(2,780)
<b>42,787</b>	<b>Balance as at 31 March</b>	<b>58,888</b>

### Collection Fund Adjustment Account

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

31 March 2020 £000		31 March 2021 £000
393	Balance at 1 April	646
253	Amount by which Council Tax/Business Rates income credited to the Comprehensive Income and Expenditure Statements is different from Council Tax/Business Rates income calculated for the year in accordance with statutory requirements	3,500
<b>646</b>	<b>Balance as at 31 March</b>	<b>4,146</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and Housing Revenue Account balances as a result of accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March 2021.

As a result of the Council’s need to respond to the COVID-19 pandemic, there has been an increase in the level of leave carried forward at the year end compared to previous years. This balance is anticipated to reduce during the year as activity begins to return to more normal levels.

2019/20		2020/21
£000		£000
129	Balance at 1 April	128
(129)	Settlement or cancellation of accrual made at the end of the preceding year	(128)
128	Amounts accrued at the end of the current year	509
<b>128</b>	<b>Balance as at 31 March</b>	<b>509</b>

### Note 25. Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This definition includes rental agreements, contract hire and licences.

#### The Council as a Lessee

##### Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31 March 2021. 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 has entered into a number of short term leases to provide temporary accommodation within the Borough. The future minimum lease payments receivable under the non-cancellable leases in future years are:

	31 March 2020 £000	31 March 2021 £000
Not later than one year	230	396
Later than 1 year and not later than 5 years	723	327
	953	723

The Council holds a limited number of operating leases, mainly relating to the lease of photocopiers with an annual rental of £0.035m 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 2019/20 of £0.021m and in 2020/21 £0.011m.

## The Council as Lessor

### Finance leases

The Council as lessor did not hold any finance leases in 2020/21.

### 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 2020 £000	31 March 2021 £000
Not later than one year	87	98
Later than 1 year and not later than 5 years	300	295
Later than 5 years	1,554	1,592
	1,941	1,985

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 2020/21 no contingent rents were receivable by the Council.

## Note 26. Long Term Advances – Loans Outstanding

Details of the long term advances provided by the Council are set out below.

2019/20 £000		2020/21 £000
52	Balance at Start of Year	49
-	Advances made in year	250
-	Repayments made in year	-
(3)	Change in Fair Value	(20)
49	Balance at End of Year	279

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

The table below shows the amounts owed to the Council at the end of the year. An allowance has been made within the overall level of debt to reflect an element of non-recovery. Whilst the allowance for non-recovery includes an element to reflect the impact of COVID-19 on the economy, the full impact may not be known for some time and may have been under or over estimated.

Net Debt 31 March 2020 £000		Net Debt 31 March 2021 £000
	<b>Amounts due within one year</b>	
1,059	Central Government Bodies	1,516
2,395	Other local authorities (inc. Police)	6,486
11	Homelessness	48
417	Rent payers	628
452	Council taxpayers	655
184	Non-domestic rate payers	32
1,005	Housing Benefit overpayments	970
2,249	Other entities and individuals	1,748
<b>7,772</b>		<b>12,083</b>
	<b>Amounts due in more than one year</b>	
55	Employee vehicle loans	57
65	Work in default	65
<b>120</b>		<b>122</b>
<b>7,892</b>	<b>Total</b>	<b>12,205</b>

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

The table below shows amounts owed by the Council at the end of the year that are due for payment within 12 months.

Net Debt 31 March 2020 £000		Net Debt 31 March 2021 £000
(359)	HM Revenue and Customs	(316)
(7,195)	Central Government Bodies	(12,614)
(5,582)	Other local authorities (inc. Police)	(4,848)
(297)	Rent payers	(334)
(107)	Council taxpayers	(118)
(845)	Other entities and individuals	(2,858)
<b>(14,385)</b>	<b>Total</b>	<b>(21,088)</b>

## Note 29. Cash and Cash Equivalents

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

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

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

31 March 2020 £000		31 March 2021 £000
17,502	Cash held by the Council	2,534
-	Bank current accounts	-
-	Money Market Funds	-
-	Call Accounts	6,008
<b>17,502</b>		<b>8,542</b>

## Note 30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20		2020/21
£000		£000
844	Interest received	2,781
(2,040)	Interest paid	(1,440)
-	Dividends received	-

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

2019/20		2020/21
£000		£000
8,602	Depreciation/Impairment charge	5,679
704	Amortisation of Intangible Assets	238
	(Increase)/Decrease in Investments	(217)
	Revaluation of Non-Current Assets	9,843
2,592	Derecognition of Non-Current Assets	(1,335)
(865)	(Increase)/Decrease in Debtors	(4,313)
(2,981)	Increase/(Decrease) in Creditors	7,707
25	(Increase)/Decrease in Inventories	15
	Increase/(Decrease) in Provisions	(2,014)
4,239	Movement in Pension Liability	(2,769)
378	Other non-cash items	
12,694	Total non-cash movements	12,834

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

2019/20		2020/21
£000		£000
-	Capital Grants	(2,186)
(2,768)	Proceeds from the Sale of Properties	(2,773)
-	Council Tax and NNDR Adjustments	10,607
(2,046)	Other items	-
(4,814)		5,648

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

2019/20 £000		2020/21 £000
(9,767)	Purchase of property, plant and equipment, investment property and intangible assets	(14,592)
(175,797)	Purchase of short-term and long-term investments	(155,667)
(120)	Other payments for investing activities	(250)
2,778	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,773
128,614	Proceeds from short-term and long-term investments	150,000
1,645	Other receipts from investing activities	-
(52,647)	Net cash flows from investing activities	(17,736)

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

2019/20 £000		2020/21 £000
6	Other receipts from financing activities	2,186
171,579	Cash receipts of short-term and long-term borrowing	77,000
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
(110,100)	Repayments of short-term and long-term borrowing	(79,000)
4,065	Other payments for financing activities	(10,607)
65,550	Net cash flows from financing activities	(10,421)

	Long Term Borrowings £000	Short Term Borrowings £000	Total £000
1 April 2020	(96,488)	(59,213)	(155,701)
<b>Cash-flows</b>			
Repayment	29,500	49,500	79,000
Proceeds	(40,000)	(37,000)	(77,000)
<b>Non cash:</b>			
Acquisition	-	-	-
Fair Value	-	(50)	(50)
Reclassification	14,388	(14,388)	-
31 March 2021	(92,600)	(61,151)	(153,751)

### Note 33. Trading Operations

The 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.

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following a five step approach.

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract
- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this income is accounted for within the statement of accounts.

Details of those units with a significant turnover in 2020/21 are as follows:

2019/20 (Surplus) / Deficit £000	Service	Expenditure £000	Income £000	2020/21 (Surplus) / Deficit £000
165	Trade waste	985	(944)	41
(147)	Car parking	303	(399)	(96)
18	Total	1,288	(1,343)	(55)

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 deficit of £0.041m that would be increased to £0.129m if cost of capital charges had been made, and those for car parking show a surplus of £0.096m that would be reduced to £0.003m.

## Note 34. External Audit Costs

In 2020/21 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2019/20 £000	2020/21 £000
Fees payable to the appointed auditor, Grant Thornton UK LLP, regarding external audit services	42	49
Fees payable to the appointed auditor, Grant Thornton UK LLP, for the certification of grant claims and returns	10	10
Additional fees payable to the appointed auditor, Grant Thornton UK LLP, for the certification of grant claims and returns in relation to previous years	10	(1)
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 UK LLP, during the year	8	2
<b>Total</b>	<b>65</b>	<b>60</b>

The Council's external auditors are appointed through Public Sector Audit Appointments Limited (PSAA). The external auditors have requested an increase in fees for the 2020/21 of £63,285 to reflect the additional work undertaken to meet the additional audit requirements placed on external auditors. This fee has not yet been approved by PSAA and therefore has not been included in the fees for 2020/21.

## Note 35. Related Party Transactions and Joint Operations

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

### Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in Notes 17 and 18.

### 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 2020/21 is set out in Note 7; Members allowances are stated in Note 8.

During 2020/21, 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 2020/21 was approved at the Annual Meeting of the Council on 21 July 2020.

Where members declared an interest in an organisation:

- £0.007m was paid in voluntary grants to those related organisations
- £0.027m 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 2020/21 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 £0.775m to the partnership in 2020/21 predominantly funded via its Disabled Facilities Grant allocation for the year of £0.717m.

### **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 2020/21, Rugby Borough Council paid £0.167m to Daventry District Council in relation to their share of the annual operating surplus and £0.021m in respect of the final settlement of the building of the crematorium.

#### **Shared Building Control Service**

The Council is part of a shared Building Control Service with Warwick District Council and Daventry District Council who host and provide the Building Control Service. In 2020/21 the Council contributed £0.111m into the scheme.

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

In 2020/21 the following transactions were incurred in respect of shared service arrangements with NBBC:

- £0.034m was paid to NBBC as the lead authority in a shared procurement service.
- £0.017m was paid to NBBC to meet the shared IT training officer salary costs.
- £0.002m 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 £0.029m to Rugby Borough Council to meet the shared IT officer salary costs to provide Civica APP Support and Development.
- NBBC paid £0.008m to Rugby Borough Council towards a shared information management partnership, which includes Data Protection, Freedom of Information and the Environmental Information Regulations.



### **Local Authority 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 2020/21, the Council paid £0.013m to Solihull Metropolitan Borough Council for the provision of the services.

Rugby Borough Council enters into agreements with local authorities for other minor schemes. The Council undertakes joint projects and purchases the services of other local councils as and when required.

### **Entities Controlled or Significantly Influenced by the Authority**

The Council provided financial assistance to certain voluntary and outside bodies during 2020/21; 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**

Cllr Sebastian Lowe, as Leader of the Council, and Cllr Jill Simpson-Vince, as Growth & Investment Portfolio Holder, are on the Board of Rugby First Limited. An amount of £0.479m was paid to the BID Company in 2020/21 of which £0.209m related to the collection of BID levy income, the remaining £0.270m was paid to the BID Company to provide a CCTV Monitoring and Town Centre Management Service. At the year end, the Council had a creditor balance to Rugby First Ltd of £11,349.

### **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 in 2020/21. The Council did not receive anything from GLL in 2020/21 for the annual contract fee and profit share as per the contract agreement in 2019/20, due to the extraordinary circumstances of the COVID-19 lockdown. However, the Council was able to recoup from Central Government £0.254m in 2020/21 as part of the COVID-19 Sales, Fees and Charges Recovery scheme.

### **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. This expired in 2020/21.

### **The Lias Line**

Rugby Borough Council made a £0.030m capital contribution in 2020/21 to help fund a sub-regional cycleway in partnership with Warwick District Council, Stratford-on-Avon District Council and Sustrans.

## Note 36. Pension Costs

### Pension Benefits

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

### Participation in pension schemes

Rugby Borough Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), which is administered locally by Warwickshire County Council – this is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2020/21 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 2020/21 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 level of increased estimation uncertainty in respect of the private equity, infrastructure and private debt that it holds as a result of the COVID-19 pandemic. Details of this can be found in Note 5 of the Warwickshire Pension Fund Accounts. The Council's proportion of these funds is approximately 4.75% which equates to £13.5m. The custodian has reported a tolerance of +/-2% around the net asset values on which the valuation is based, which equates to a tolerance of c£0.27m.

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 and Housing Revenue Account balances 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 arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account 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 2.0% (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/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the 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 sums specified on the actuary certificate published as part of the valuation as at 1 April 2019, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

In April 2020, the Council paid the Warwickshire Pension Fund £7.990m, taking advantage of the opportunity to pay its estimated employer contributions covering the three year period April 2020 to March 2023 as a single payment in order to receive a discount on its contributions. Statutory regulations require the Council to account for its contributions on the basis of the actuarial certificate issued as part of the last triennial valuation. The amount covering the latter two years of the payment has been transferred to Pensions Liabilities which has led to the difference in balances between the Pensions Liabilities and the Pensions Reserve.

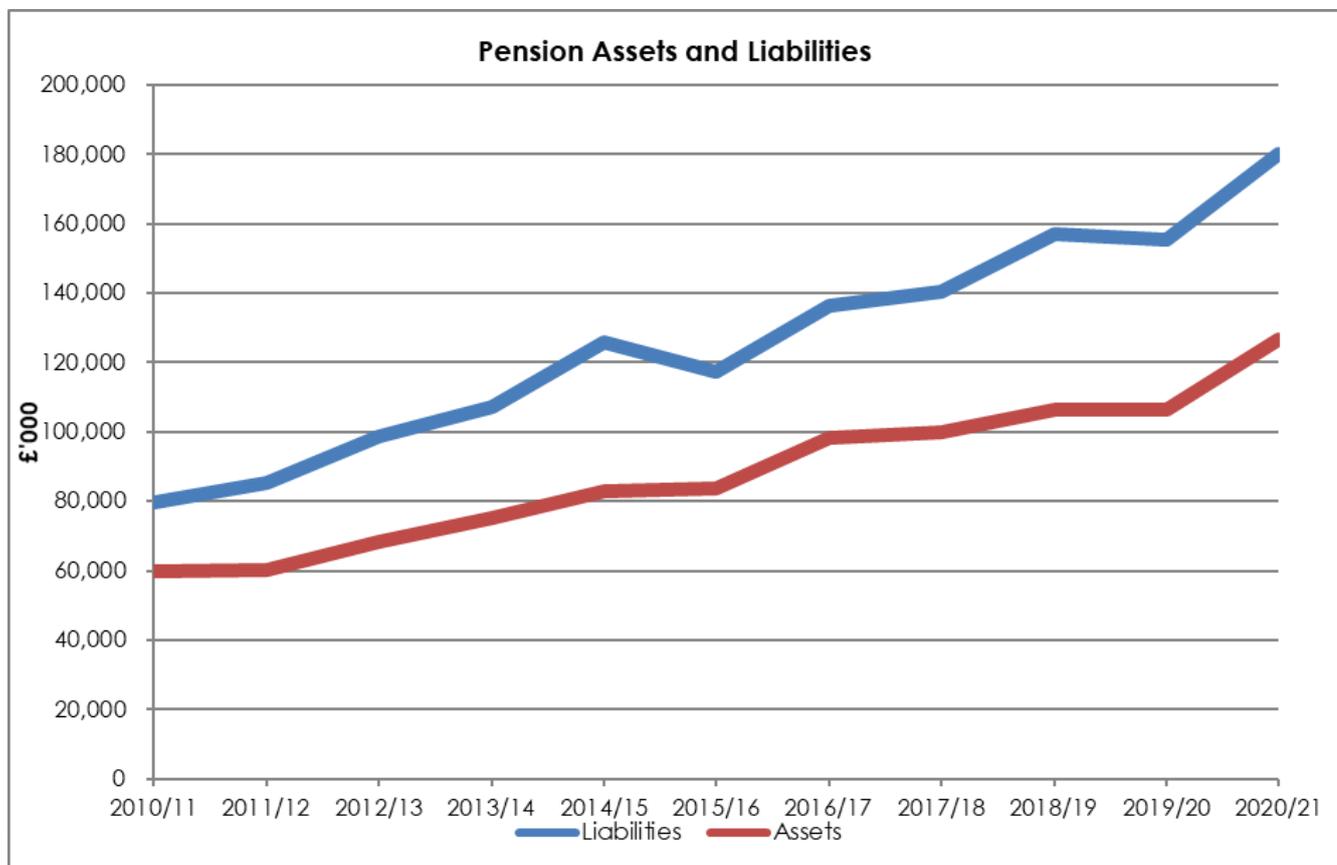
The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
• Current Service Costs	5,312	4,292	-	
• Past Service Costs	476	-	-	
<b>Financing and Investment Income and Expenditure</b>				
• Net Interest Expense	1,211	1,003	38	28
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,999</b>	<b>5,295</b>	<b>38</b>	<b>28</b>
<b>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Re-measurement of the net defined benefit liability comprising:</b>				
• Actuarial (gains)/losses arising on changes in demographic assumptions	-	2,166	-	14
• Actuarial (gains)/losses arising on changes in financial assumptions	(17,038)	36,752	(50)	36
• Other experience	(6,726)	(1,573)	(211)	41
• Return on Plan Assets (excluding the amount included in the net interest expense)	11,881	(23,879)	-	
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,884)</b>	<b>18,761</b>	<b>(223)</b>	<b>119</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	(6,999)	(5,295)	(38)	(28)
<b>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</b>				
• Employer's contributions payable to the scheme	2,690	7,992	-	
• Early payment transferred to pension liability		(5,312)		
• Retirement benefits payable to pensioners	-		108	100
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,309)</b>	<b>(2,615)</b>	<b>70</b>	<b>72</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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Present Value of the Defined Benefit Obligation	(137,550)	(178,885)	(1,280)	(1,299)
Fair Value of Plan Assets	96,043	126,609	-	-
Net Liability Arising from the Defined Benefit Obligation	(41,507)	(52,276)	(1,280)	(1,299)



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 £60.211m 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:**

	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	106,303	96,043
Interest Income on Plan Assets	2,546	2,168
Return on Plan Assets, excluding the amount included in the net interest expense	(11,881)	23,879
Contributions from Employer	2,690	7,992
Contributions from Scheme Participants	851	824
Benefits Paid	(4,466)	(4,297)
Closing Balance at 31 March	96,043	126,609

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening Balance at 1 April	155,384	137,550	1,611	1,280
Current Service Cost	5,312	4,292	-	-
Interest cost	3,757	3,171	38	28
Contributions by Scheme Participants	851	824	-	-
Re-measurement (Gain)/Loss:			-	-
• Actuarial (gains)/losses arising from changes in demographic assumptions		2,166	-	14
• Actuarial (gains)/losses arising from changes in financial assumptions	(23,764)	36,752	(50)	36
• Other experience		(1,573)	(211)	41
Benefits Paid	(4,466)	(4,297)	(108)	(100)
Past Service Costs	476	-	-	-
Closing Balance at 31 March	137,550	178,885	1,280	1,299

### 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 2020.

#### The significant assumptions used by the actuary have been:

	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.6	21.8
Women	23.8	24.2
Longevity at 65 for future pensioners (years):		
Men	22.5	23.0
Women	25.4	26.1
Rate of increase in salaries	2.70%	3.65%
Rate of increase in pensions	1.90%	2.85%
Rate of discounting of scheme liabilities	2.30%	2.00%

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.

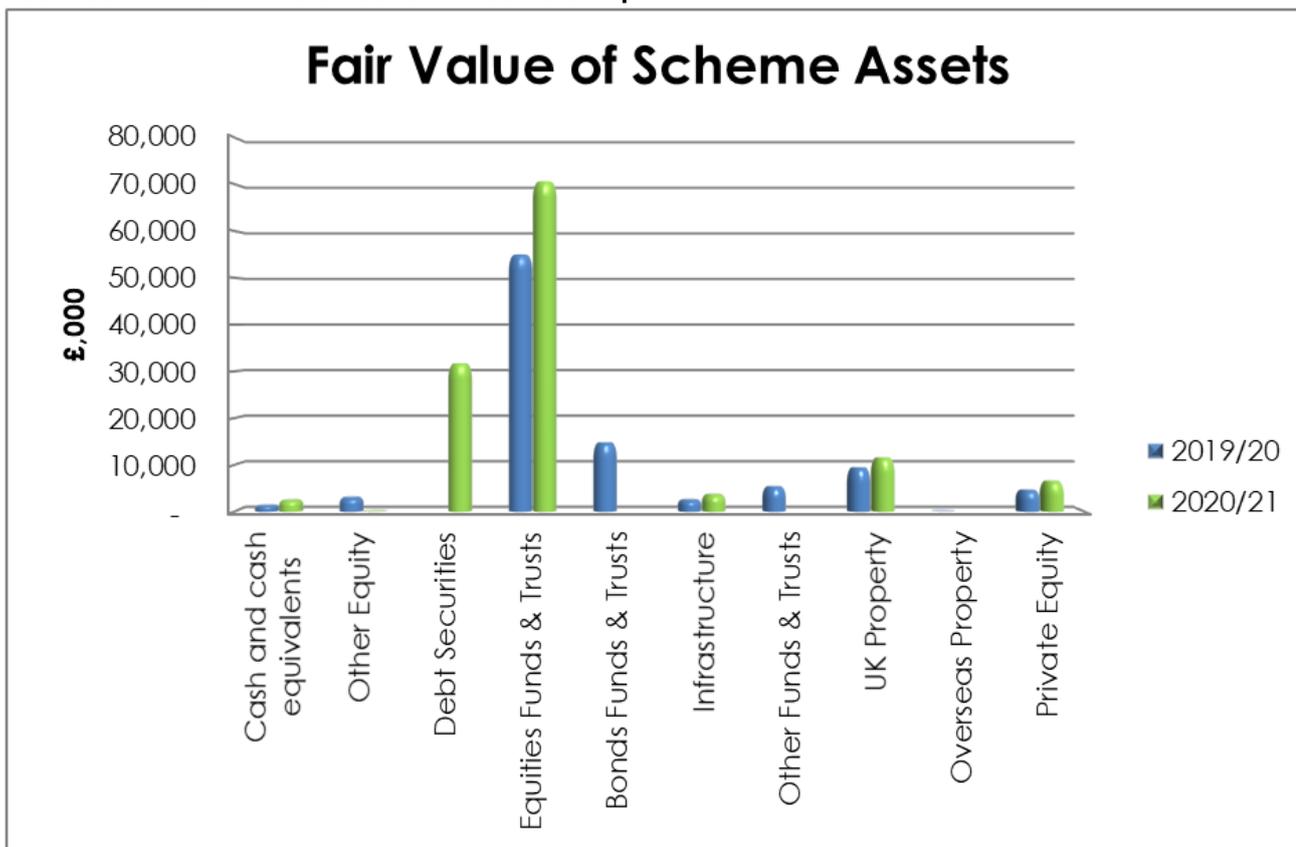
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analysis shown in the next table have been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes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

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

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate Monetary Amount £000	Approximate % increase to Employer Liability
0.1% decrease in Real Discount Rate	3,464	2%
1 year increase in member life expectancy	7,207	4%
0.1% Discount in the Salary Increase Rate	361	0%
0.1% increase in the Pension Increase Rate (CPI)	3,063	2%

**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 2020). 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 2020 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 2020

## Note 37. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 Council's borrowings, 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 Council 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 and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

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 Council'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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 Council, 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 Council 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 Council.

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 Council 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 Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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 2020			31 March 2021	
Long Term	Short Term		Long Term	Short Term
£000	£000		£000	£000
		<b>Financial Assets</b>		
30,580	79,900	At Amortised Cost	39,979	70,297
-	6,263	At Fair Value through Profit and Loss	-	12,371
30,580	86,163	Total Investments	39,979	82,668
		Loans and Receivables		
		Cash and Cash Equivalents		
-	17,502	At Amortised Cost	-	8,542
-	17,502	Total Cash and Cash Equivalents	-	8,542
55	3,416	Trade Receivables	57	3,078
55	3,416	Included in Debtors	57	3,078
30,635	107,081	Total Financial Assets	40,036	94,288
		<b>Financial Liabilities</b>		
(96,488)	(59,213)	Loans at Amortised Cost	(90,600)	(63,151)
-	(845)	Creditors	-	(2,858)
(96,488)	(60,058)	Total Financial Liabilities	(90,600)	(66,009)

## 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:

2019/20				2020/21		
Financial Liabilities Measured at Amortised Cost £000	Financial Assets Measured at Amortised Cost £000	Financial Assets Measured at Fair Value through Profit and Loss £000		Financial Liabilities Measured at Amortised Cost £000	Financial Assets Measured at Amortised Cost £000	Financial Assets Measured at Fair Value through Profit and Loss £000
(2,520)	-	-	Interest Expense	(2,781)	-	-
-	-	(276)	Net loss on financial assets at fair value through profit and loss	-	-	-
(2,520)	-	(276)	Total Expense in Surplus/Deficit on the Provision of Services	(2,781)	-	-
-	-	-	Net gain on financial assets at fair value through profit and loss	-	-	79
-	1,214	241	Interest Income	-	1,298	142
-	1,214	241	Total Income in Surplus/Deficit on the Provision of Services	-	1,298	221
		276	Gains on revaluation			(79)
<b>(2,520)</b>	<b>1,214</b>	<b>241</b>	<b>Net Gain/(Loss) for the year</b>	<b>(2,781)</b>	<b>1,298</b>	<b>142</b>

## 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 2020 Fair Value £000	31 March 2021 Fair Value £000
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,354	2,337
Fair value through profit and loss – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,809	1,961
Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,100	2,063
			6,263	6,361

There were no transfers between input levels during the financial year 2020/21. 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, the rates for new borrowing for loans of a similar term have been used to assess fair values;
- For non-PWLB loans payable, prevailing market rates have been used to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
  - No early repayment or impairment is recognised
  - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

The fair values are calculated as follows:

31 March 2020			31 March 2021	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		Financial Assets held at amortised cost		
12,586	12,244	Corporate, Covered and Government Bonds	3,018	3,013
27,568	28,135	Long Term Investments	42,307	43,168
40,154	40,379		45,325	46,181
		Assets for which Fair Value is not disclosed		
55	-	Long Term Debtors	57	-
70,326	-	Short Term Investments	77,322	-
17,502	-	Cash and Cash Equivalents	8,542	-
3,645	-	Debtors	3,413	-
91,528	-	Sub-total	89,334	-
131,682	40,379	Total Financial Assets	134,659	46,181
		Financial Liabilities at amortised cost		
		Borrowing		
(54,378)	(57,864)	Public Works Loans Board	(86,104)	(75,225)
(101,323)	(119,034)	Other	(67,646)	(73,755)
(155,701)	(176,898)	Total Borrowing	(153,750)	(148,980)
(845)	(845)	Creditors	(2,858)	(2,858)
(156,546)	(177,743)	Total Financial Liabilities	(156,608)	(151,838)

The fair value of the liabilities is less than the carrying amount because the Council's loans are fixed at a lower rate than was available at the 31 March 2021. This shows a notional future gain (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £75,225m 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 £17,934m for the additional interest that will no longer be paid. The exit price for the PWLB loans including the penalty charge would be £103,734m.

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 the implementation of restrictions to minimise 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

The Council has assessed its 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 2021 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

31 March 2020		Deposits with banks and financial institutions	31 March 2021	
Carrying Amount on Balance Sheet £000	Estimated maximum exposure to default £000		Carrying Amount on Balance Sheet £000	Estimated maximum exposure to default £000
4,015	-	AAA rated counterparties/products	3,018	
77,735	16	AA rated counterparties/products	94,083	14
19,164	15	A rated counterparties/products	19,182	15
15,830	35	BBB rated counterparties/products	12,370	28
3,700	968	Trade Debtors	4,257	990
120,444	1,034	Total	132,910	1,047

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 2020 £000	31 March 2021 £000
Less than three months	91	112
Three to six months	164	57
Six months to one year	149	75
More than one year	539	320
Total	943	564

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 held as investments is as follows:**

	31 March 2020	31 March 2021
	£000	£000
Less than one year	86,163	79,207
Between one and two years	13,035	23,940
Between two and three years	15,035	19,500
More than three years	2,511	-
<b>Total</b>	<b>116,744</b>	<b>122,647</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	Actual 31 March 2021	Actual
	%	%	£000	£000	%
Less than one year*	50	-	51,786	62,692	41
12 months to 2 years	50	-	43,090	7,310	5
Between 2 and 5 years	60	-	7,310	1,008	1
Between 5 and 10 years	60	-	11,796	10,530	7
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	70,749	46
<b>Total*</b>			<b>145,695</b>	<b>153,750</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 uses the statutory override to account for any changes in the fair value on its pooled investments.

## Note 39. Provisions

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

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

2019/20		2020/21		
		Business Rates Appeals £000	Other £000	Total £000
	Short-Term Provisions			
(1,254)	Balance at 1 April	(913)	-	(913)
-	Additional Provision made in year	-	(123)	(123)
233	Amounts used in year	774	-	774
-	Transfer between Long Term and Short Term	(411)	-	(411)
108	Unused amounts reversed in year	-	-	-
-	Other Movements	-	-	-
(913)	Balance of Short Term Provisions at 31 March	(550)	(123)	(673)
	Long Term Provisions			
(3,968)	Balance at 1 April	(4,473)	-	(4,473)
(1,557)	Additional Provision made in year	(1,142)	-	(1,142)
1,052	Amounts used in year	-	-	-
-	Transfer between Long Term and Short Term	411	-	411
-	Unused amounts reversed in year	2,506	-	2,506
-	Other Movements	-	-	-
(4,473)	Balance of Long Term Provisions at 31 March	(2,698)	-	(2,698)
(5,386)	Total Provision	(3,248)	(123)	(3,371)

### 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 2020 the Council's provision for business rate appeals was £5.386m. During the financial year:

- £0.774m was charged to the provision for successful appeals in 2020/21 which have been previously provided for.
- £2.506m was released from the provision for backdated mandatory relief claims that have been removed or withdrawn.

After reflecting the amounts charged to the provision in 2020/21, 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 2020/21 overall provision for business rates appeals was £8.119m. Rugby Borough Council's 40% share of the total provision is £3.248m of which it is expected that £0.550m will be settled in the next twelve months and £2.698m in 2020/21 or later years.

### Other Provisions

The Council paid three years' of employer superannuation contributions to the Warwickshire Pension Fund in April 2020. The amount paid was based on an assumed level of staff with a proviso that the pension fund could seek an additional payment for variations to the number of employees who were members of the pension scheme. A provision has been set aside to cover an anticipated request for a further payment from the pension fund.

## Note 40. Contingent Liabilities and Assets

### Contingent Liabilities

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

As a planning authority, the Council can face appeals against the decisions that it makes on planning proposals. At present the Council has a small number of appeals, which if the appellants are successful, may lead to the Council having to meet the costs of the appeal. The Council cannot determine the likelihood, or the extent, to which costs may be awarded to successful appellants.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to 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 Safety Net Account. This is to provide protection for Pool members from falls in business rate income. The Safety Net Account is held by Warwickshire County Council as the lead authority and a memo account is maintained for each Council.

In 2020/21, it was agreed that the Business Rates Pool would draw down its Safety Net Account and retain a balance of (£2.000m). Pool members received a share of their individual balance of which Rugby Borough Council received (£1.225m).

As at the end of March 2021, Rugby held (£1.389m) within the Fund. There will be no contribution towards the safety net in 2020/21, instead the amount will be paid back to pool members as part of the pooling benefit for the financial year. This would be released to us if our business rates income fell by more than 5% of our baseline funding level, or if the Council left the pool, or if the pool dissolved.

## Note 41. 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 2020/21 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2021 – 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

Whilst the COVID-19 pandemic would appear to have passed its peak, the Council still faces a number of challenges in the coming months, and potentially years, through changes in its level of service provision or as a result of responses to the economic consequences of the COVID-19 pandemic.

Details of the financial consequences for 2020/21 are set out in these financial statements. However, the pace of economic recovery cannot be determined and it is unlikely to be uniform across the country or across sectors within the local area.

### Sherbourne Recycling Limited

On 1 April 2021, the Council entered into a number of key legal agreements including but not limited to the Shareholders Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Limited. As one of 8 shareholders, Rugby Borough Council made an equity investment of £0.095m for its 9.45% share in Sherbourne Recycling Limited (SRL).

Over the course of the next 24 months, SRL will draw down on loan facilities with each of the shareholder Councils. A loan facility with Rugby Borough Council for a maximum amount of £5.415m will be released, based on the payment of milestones by civils, process equipment and other contractors involved in the construction undertaken by the company and for the operation of the company. The loan facility is secured by way of a charge on the company

All interest accrued during this construction phase will be capitalised and added to the principal at the end of the construction phase. Once operational the principal and interest will be repaid over the next 25 years in line with the terms of the Loan Facility Agreement. The facility is due to be operational from mid-2023.

The Council will account for its investment within the company as a Long Term Investment.

## 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.

2019/20 £000		2020/21 £000
	Income	
(15,046)	Dwelling Rents	(15,302)
(106)	Non-dwelling rents	(130)
(988)	Charges for services	(904)
(255)	Contributions towards expenditure	(185)
(16,395)	Total Income	(16,521)
	Expenditure	
4,123	Repairs and maintenance	4,331
5,442	Supervision and management	5,617
10	Rents, rates, taxes and other charges	86
6,726	Depreciation and impairment of non-current assets	9,956
88	Debt management costs	14
118	Movement in allowance for bad debts	0
16,507	Total Expenditure	20,004
113	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	3,483
224	HRA Share of Corporate and Democratic Core costs	224
336	Net Expenditure of HRA Services	3,707
(59)	(Gain) or Loss on sale of HRA non-current assets	150
1,507	Interest payable and similar charges	2,252
(492)	Interest and investment income	(1,102)
218	Pension interest and expected return on pension assets	176
(237)	Capital grants and contributions receivable	(1,797)
0	Reversal - Impairment of Financial Instrument	(110)
(21)	Other Income – Unattached Receipts	(11)
1,252	(Surplus)/Deficit for the year on HRA services	3,265

### Movement on the HRA Statement

2019/20 £000		2020/21 £000
(5,085)	HRA revenue balance brought forward	(5,085)
1,252	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	3,265
138	Adjustments between accounting basis and funding basis under statute	(2,599)
1,390	Net (increase) or decrease before transfers to or from reserves	666
(1,390)	Transfers to or (from) earmarked reserves	(666)
0	(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

2019/20 £000		2020/21 £000
	Adjustments between accounting basis and funding basis under statute	
(3,200)	Depreciation of non-current assets	(3,249)
(3,469)	Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(6,656)
(57)	Amortisation of intangible assets	(51)
(2,444)	Amounts of non-current assets written off on disposal or sale	(1,975)
2,503	Sale proceeds credited as part of the gain/loss on disposal	1,825
-	Transfer to Accumulated Absences account	(52)
5,148	Capital expenditure financed from revenue balances	2,953
237	Capital grants and contributions applied	1,797
21	Transfer of Unattached Receipts to the Capital Receipts Reserve	11
(1,111)	Net charges made for retirement benefits (IAS 19)	(926)
2,075	Reversal of Major Repairs Allowance credited to the HRA	3,249
-	Statutory provision for the financing of capital investment	-
435	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	475
138		(2,599)

2019/20 £000		2020/21 £000
	Transfers to or (from) earmarked reserves	
(353)	Transfer to or (from) Housing Repairs Account	(351)
(1,089)	Transfer to or (from) HRA Capital Investment balances	(363)
52	Transfer to or (from) other earmarked reserves	48
(1,390)		(666)

### Note 1. HRA Assets

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

2019/20		2020/21
2,152	Houses/Bungalows (including part-ownerships)	2,160
1,637	Flats	1,526
3,789		3,686

The change in the stock was as follows:

2019/20		2020/21
3,786	Stock at 1 April	3,789
(25)	Less sales (including part-ownership)	(19)
-	Less removal from stock (Biarth Place demolitions)	(124)
-	Add: new build properties	-
28	Add: purchase of properties	40
3,789	Stock at 31 March	3,686

The balance sheet includes HRA assets as detailed below. The information for 2019/20 has been restated as set out in Note 6, to these financial statements:

2019/20 (Restated)		2020/21
£000		£000
	Balance Sheet values as at 31 March	
196,573	Operational Assets: Dwellings	197,412
798	Operational Assets: Other Land & Buildings	1,014
535	Operational Assets: Equipment	360
671	Operational Assets: Infrastructure	644
-	Non-Operational Assets	709
4,926	Assets Under Construction	3,125
203,503		203,264

## Note 2. Vacant Possession

2019/20		2020/21
£000		£000
486,214	Vacant Possession Value of Dwellings as at January 2021	487,816
(196,573)	Balance Sheet Value of Dwellings	(197,412)
289,641	Economic cost to Government	290,404

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.

2019/20 £000		2020/21 £000
(2,544)	Balance at 1 April	(2,189)
(3,200)	Amount transferred to Major Repair Reserve during the year	(3,249)
1,095	Appropriations to or (from) HRA Revenue	0
2,460	Capital financing	2,065
(2,189)	Balance at 31 March	(3,373)

### Note 4. Housing Repairs Account

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

2019/20 £000		2020/21 £000
(1,021)	Balance at 1 April	(667)
(3,769)	Contributions during the year	(3,979)
4,123	Repairs and maintenance charged	4,331
(667)	Balance at 31 March	(315)

## 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:

2019/20 £000		2020/21 £000
5,932	Council dwellings	7,160
10	Other assets	32
-	Housing Management Systems	45
3,074	Other expenditure	3,724
9,016	Sub-total	10,961
	Financed by:	
(5,109)	Direct Revenue Finance	(2,953)
(236)	Government Grant	(806)
(273)	Earmarked Reserves	-
(1,209)	Right to Buy Receipts	(1,239)
(2,189)	Major Repairs Reserve	(2,065)
-	Borrowing	(2,700)
-	External Finance – S.106	(1,198)
(9,016)		(10,961)

## 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:

2019/20 £000		2020/21 £000
(2,501)	Sales of Council Houses under Right to Buy (RTB)	(1,825)
(18)	RTB Discounts repaid	(11)
(3)	Council House Mortgage Principal Repayments	-
(2,522)		(1,836)

## 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:

2019/20 £000		2020/21 £000
	Operational Assets	
(2,965)	Dwellings, other land, buildings	(2,998)
(208)	Equipment	(222)
(27)	Non-operational assets	(29)
(3,200)		(3,249)

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 2020/21 rent arrears as a proportion of gross rental income have changed from 7.80% of the amount due to 6.68%. The figures, excluding service charges and debts of up to three weeks are as follows:

2019/20 £000		2020/21 £000
737	Arrears of current tenants (not including current weeks)	557
436	Arrears of former tenants	465
1,173	Total tenants' arrears at 31 March	1,022

During the period 20/21 – the Housing Management - Tenancy Sustainment team provided tenancy coaching to more than 400 customers, including those living in temporary accommodation in preparation for secure tenancies.

The Tenancy Sustainment Team at the onset of the COVID-19 pandemic contacted all council tenants as part of a safe and well exercise and to establish those most at risk financially and have continued to work with those tenants

most at risk of losing their homes to establish affordable payment plans. At the onset of the COVID-19 pandemic 12 tenancies were at risk of eviction this number has now reduced 1 because of the intensive tenant engagement work that has been carried out by the team during the eviction moratorium which ended on the 31<sup>st</sup> May 2021.

**Bad Debts**

The total provision for bad debts was £0.521m (as at 31 March 2021.) Amounts actually written on during the year totalled £0.005m. 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:

2019/20 £000		2020/21 £000
(502)	Balance at 1 April	(636)
(16)	Write off/Write on	5
(118)	Provision made in the year	110
(636)	Balance as at 31 March	(521)

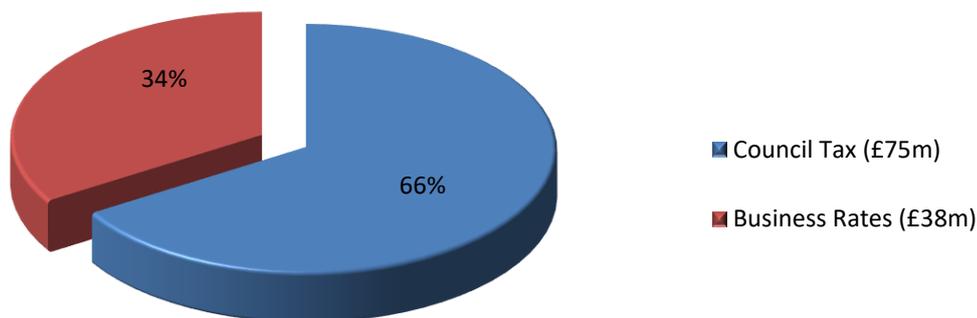
## COLLECTION FUND STATEMENT

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.

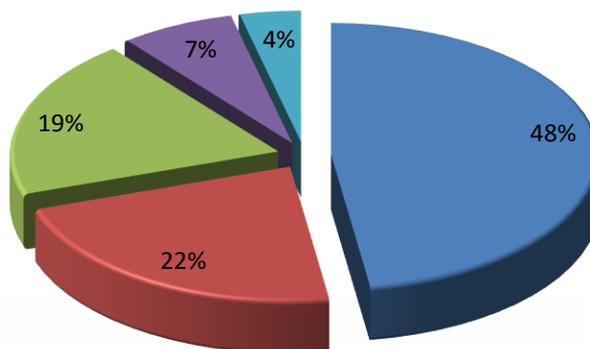
The Council's share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. The difference between the business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

### 2020/21 Collection Fund Income £113m



### 2020/21 Collection Fund Expenditure £123m

- Warwickshire County Council (£64m)
- Rugby Borough Council (£29m)
- Central Government (£26m)
- Police & Crime Commissioner for Warwickshire (£9m)
- Provisions - Appeals (-£5m) & Bad Debt (-£0.4m)



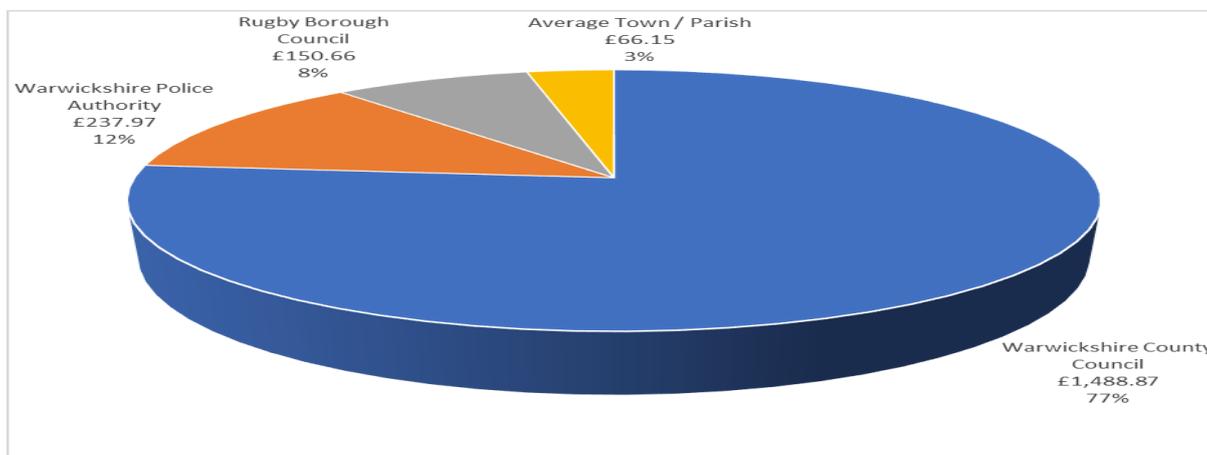
## The Collection Fund Statement

2019/20 Total £000		2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000
	<b>INCOME</b>			
(71,193)	Council Tax Receivable	-	(74,427)	(74,427)
-	Transfer for S13A(1)(C) Relief	-	(643)	(643)
(52,550)	Business Rates Receivable	(36,581)	-	(36,581)
-	Transitional Protection Payments Receivable	-	-	-
(123,743)		(36,581)	(75,070)	(111,651)
	<b>Contribution to Previous Year Estimated Deficit</b>			
(31)	Central Government	(918)	-	(918)
(157)	Warwickshire County Council	(183)	-	(183)
(126)	Rugby Borough Council	(734)	-	(734)
-	Police and Crime Commissioner for Warwickshire	-	-	-
(314)		(1,835)	-	(1,835)
(124,057)	Total Income	(38,416)	(75,070)	(113,486)
	<b>EXPENDITURE</b>			
334	Transitional Protection Payments	99	-	99
	<b>Distribution of Previous Year Estimated Surplus</b>			
-	Central Government	-	-	-
191	Warwickshire County Council	-	547	547
29	Rugby Borough Council	-	81	81
28	Police and Crime Commissioner for Warwickshire	-	87	87
248		0	715	715
	<b>Precepts, Demands and Shares</b>			
26,281	Central Government	25,889	-	25,889
58,920	Warwickshire County Council	5,178	57,672	62,850
28,939	Rugby Borough Council	20,711	8,398	29,109
8,545	Police and Crime Commissioner for Warwickshire	-	9,218	9,218
122,685		51,778	75,288	127,066
	<b>Charges to Collection Fund</b>			
532	Less: Increase / (Decrease) in Bad Debt Provision	182	205	387
3,623	Less: Increase / (Decrease) in Provision for Appeals	(3,410)	-	(3,410)
(3,212)	Appeals and List Alterations	(1,936)	-	(1,936)
137	Cost of Collection Allowance	134	-	134
1,080		(5,030)	205	(4,825)
124,347	Total Expenditure	46,847	76,208	123,055
	<b>Movement on Fund</b>			
290	(Surplus)/ Deficit arising during the year	8,431	1,138	9,569
891	(Surplus)/ Deficit arising at 1 April	1,785	(604)	1,181
1,181	(Surplus)/ Deficit arising at 31 March	10,216	534	10,750

## 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 **£1,943.65** for 2020/21.



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-	5.98	5/9	3.32
A	6,044.42	6/9	4,029.61
B	9,334.49	7/9	7,260.16
C	9,920.40	8/9	8,818.13
D	6,235.33	9/9	6,235.33
E	4,597.26	11/9	5,618.87
F	3,026.52	13/9	4,371.64
G	1,601.89	15/9	2,669.82
H	72.440	18/9	144.88
			39,151.76
		Less allowance for non-collection	(548.12)
		Contributions in lieu (MOD properties)	131.60
		<b>COUNCIL TAX BASE 2020/21</b>	<b>38,735.24</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 £1,943.65 provided an original estimate of income of £75.288m for 2020/21. The actual income for 2020/21 was £75.070m thus below expectations by 0.29%.

## 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 £125.353m at 31 March 2021 (£125.047m in 2019/20). The non-domestic rating multiplier for 2020/21 was 51.2p (50.4p in 2019/20) and the small business non-domestic rating multiplier was 49.9p (49.1p in 2019/20).

## Note 3. Collection Fund Balance Apportionment

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

Total 2019/20 £000		Business Rates 2020/21 £000	Council Tax 2020/21 £000	Total 2020/21 £000
893	Central Government	5,108	-	5,108
(284)	Warwickshire County Council	1,022	409	1,431
(74)	Police and Crime Commissioner for Warwickshire	-	66	66
646	Rugby Borough Council	4,086	59	4,145
1,181		10,216	534	10,750

The Balance Sheet as at 31 March 2021 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 £4.145m is recognised in the Comprehensive Income and Expenditure Statement in 2020/21, 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 2019/20 £000		Business Rates 2020/21 £000	Council Tax 2020/21 £000	Total 2020/21 £000
393	Balance at 1 April	714	(68)	646
253	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.	3,372	127	3,499
646	Balance at 31 March	4,086	59	4,145

#### 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 between 2013/14 – 2019/20 had resulted in an accumulated Safety Net Reserve balance of £5.769m of which the Council's share was £1.840m.

In 2020/21, it was agreed that the Business Rates Pool would draw down its Safety Net Reserve and retain a minimum balance of £2.000m. Pool members received a share of their individual balance of which Rugby Borough Council received (£1.225m).



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

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Rugby Borough Council (the 'Authority') for the year ended 31 March 2021, 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, including summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

### Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to *Note 5: Assumptions made about the future and other major sources of estimation uncertainty*, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings. As a result of the pandemic, market activity has been impacted in many sectors and the Authority's valuers have determined that they can attach less weight for comparison purposes to inform opinions of value. Their valuations are reported on the basis of 'material valuation uncertainty', that they consider less certainty and a higher degree of caution should be attached to their valuations. . Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Officer - Finance and Performance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Officer - Finance and Performance'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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Officer - Finance and Performance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Officer - Finance and Performance with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Officer - Finance and Performance and Those Charged with Governance for the financial statements' section of this report.

### Other information

The Chief Officer - Finance and Performance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 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 the 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 in April 2020 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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 Chief Officer - Finance and Performance and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities set out on page 37, 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 Chief Officer - Finance and Performance. The Chief Officer - Finance and Performance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Officer - Finance and Performance 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 Chief Officer - Finance and Performance 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.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government Act 2003, The Local Government Act 1972, The Local Government Finance Act 1988, The Local Government Finance Act 1992, The Local Government and Housing Act 1989 and The Local Government Finance Act 2012.
- We enquired of senior officers and the Audit and Ethics Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Ethics Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We have followed up on any matters identified through inquiries performed to understand the impact on our audit procedures and our auditor's report, if any.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - The use of journal entries;
  - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Officer - Finance and Performance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, defined benefit pensions liability valuations and provisions.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property, defined benefit pensions liability valuations and provisions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government sector
    - understanding of the legal and regulatory requirements specific to the Authority including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.



## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Rugby Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## 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.

Avtar Sohal, Key Audit Partner

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

Birmingham

Date:



# ANNUAL GOVERNANCE STATEMENT

2020-21

**RIGHT FOR RUGBY**

## Annual Governance Statement 2020/21

### **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 (AGS). The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's AGS for 2020/21. This year's statement is written in the shadow of the COVID-19 pandemic and shows, despite the enormous challenges faced by the Council, the governance framework has been maintained and enhanced during the year.

### **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 Officer Finance and Performance 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**

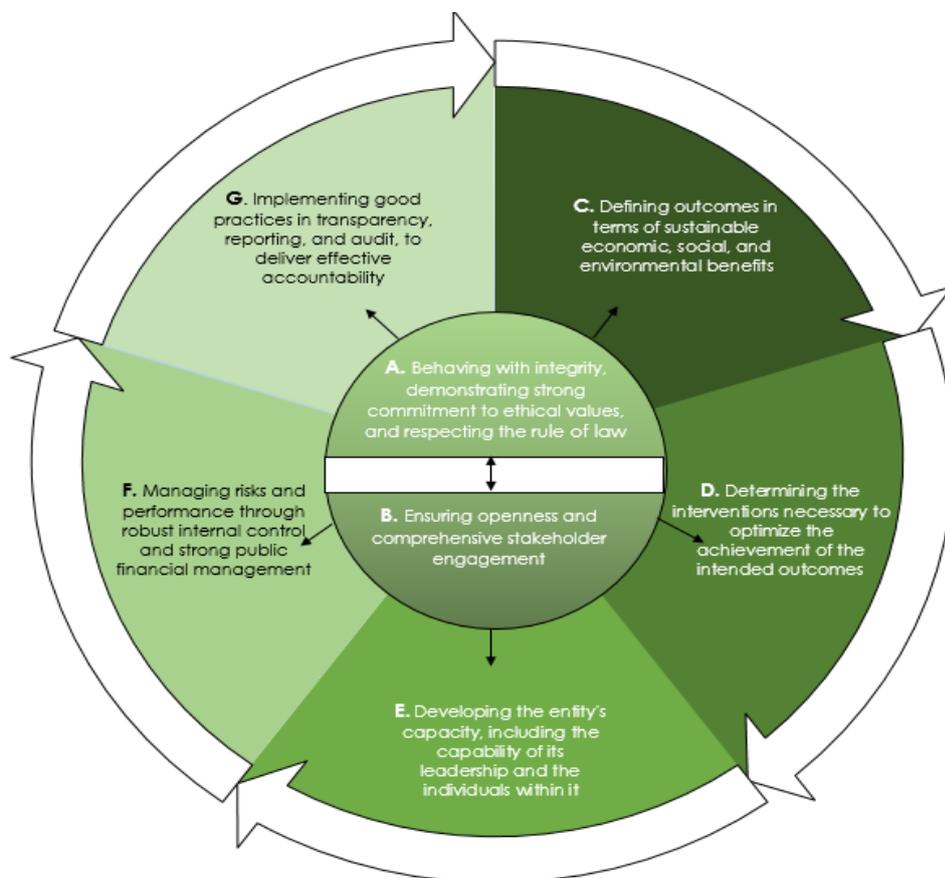
- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It provides the reader with a clear assessment 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 objectives, 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 governance framework and security policies, senior information risk owner in post (SIRO) and Information Governance Group in place.
- Corporate CANDO values and behaviours framework in place which all employees are expected to act in accordance with
- Recruitment/ selection procedures aligned with corporate values
- Customer Care training is mandatory for all staff in accordance with the Council’s value of putting “customers first”.
- 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
- An online “Praise” system is in place which enables employees who have excelled to receive a praise “badge” in recognition of their contribution.
- The Council participates in the National Fraud Initiative
- Delivery of fraud and corruption awareness training
- Staff required to confirm that they have read and understood the Council’s anti-fraud, bribery and corruption arrangements.
- 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 arrangements to ensure compliance with the requirements of the Homelessness Reduction Act 2018.
- Financial instructions in place.
- Cyber insurance in place.

### **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; owing to the COVID-19 pandemic this training was not delivered during 2020/21 but the rolling programme will be recommenced for 2021/22. A review of fraud risks and mitigating controls across all Council departments was completed in 2018/19 and internal audit plans to complete this review again in 2021/22. 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.

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.

An Information Governance Group is in place comprising the Chief Officer Digital and Communications (CIO – Chief Information Officer and Senior Information Risk Owner – SIRO), the Communication Consultation and Information Manager (Data Protection Officer), 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 was one such case during 2020/21 and the Information Commissioner was satisfied with the Council's response. During 2020/21 substantial progress has been made by the Council to ensure its Information Governance arrangements are fit for purpose. A Policy Cell was established, led by the Corporate Assurance and Improvement Manager, under which new policies were developed, approved and implemented in a number of areas. This included a new Information Governance Framework, an Agile Working policy reflecting the new ways of working during the COVID-19 pandemic, a new and updated Information Security policy, Data Protection policy, and Sharing Information Safely policy. The new policy arrangements have been cascaded to staff. All staff were required via meta compliance to formally confirm their receipt, understanding, and agreement to follow, the Information Governance, Agile Working, and Information Security policies. This exercise was complemented in each case with a supporting training video, and staff were asked to complete a test in each case to confirm their understanding of the policies. With the existence of the COVID-19 pandemic and an associated increase in cyber-attacks and phishing scams, the Council urgently took the decision to upgrade its systems to reduce the likelihood of a successful attack.

The COVID-19 pandemic led to a step change in agile working, with technological developments enabling many employees to work effectively away from the office. Staff were instructed to work from home wherever they could do so. 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 COVID-19 pandemic. As noted above, Council policies were introduced

and/ or updated to reflect the increasing number of agile workers. The new Agile Working policy will enable the benefits of remote working to continue post COVID-19 pandemic, with a consistent framework in place for managing such arrangements.

The Council implemented emergency decision arrangements to enable a rapid response to the COVID-19 pandemic. To manage the risks of key decisions being taken without appropriate review, consultation and scrutiny, the Council arranged weekly meetings between the Leadership team and members, where decisions could be discussed and scrutinised. All urgent decisions taken by the Council were documented and published in the Open Data section of the Council's website. This much more streamlined arrangement enabled effective decisions to be taken in a timely manner, for the benefit of the community. An example of a successful outcome arising from these arrangements was the approval of schemes to pay grants to businesses in the borough, supporting them in a timely manner during a traumatic period of time.

Following a restructure of the Leadership Team in the last 3 months, financial approval limits have been updated and a new scheme of delegation is being developed for the Council. Furthermore, following publication of a new Local Government Association Code of Conduct, the Council will review its recommendations and develop its own new Code of Corporate Governance, along with supporting guidance for officers and members. This will set out in more detail how the Council applies its Constitution in practice. Furthermore, members and key officers will also be provided with Corporate Governance. **See Action 5.**

Finally, in 2021/22 the Corporate Assurance and Improvement team will be conducting a review of the various oversight working groups, project groups (Squads) and Committees in place across the Council. This will consider the terms of reference/ remit for each group and identify any areas of overlap/ duplication as well as any areas of activity which are not adequately covered at present. An action plan will be developed for implementation following this review. **See Action 6.**

## **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. Equality & diversity training is mandatory for all staff.
- Mandatory LGBT+ training provided to all staff and Councillors during 2019/20.
- 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.
- Questionnaires are circulated to the public regarding the Council's budget setting and corporate strategy; the latest exercise generated approximately 1,000 comments.

### **Effectiveness and future developments**

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 COVID-19 pandemic has enabled use of the more innovative means of communication to be maximised. For example, the reach of the Council's Facebook posts exceeded 800,000 people. 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. 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 approval of the Local Plan in 2019, the Council has been consulting extensively on the South West Rugby Supplementary Planning Document with engagement across a broad spectrum of stakeholders. The Supplementary Planning Document was approved by Councillors in June 2021 and during 2021/22 the Council will be working towards delivery of the Local Plan to meet housing and employment objectives.

During the COVID-19 pandemic the Commercial Regulation service took the opportunity to divert resources to support local businesses. Advice was provided on the rules and regulations in place including on the use of masks and social distancing, and premises were inspected. Where rules were found to be not followed, the emphasis was on engagement with businesses to gain compliance. Furthermore, webinars were scheduled to help businesses prepare for lockdown easing, and the team was very active on social media, TV and radio. The Commercial Regulation Team Leader also successfully chaired the Town Centre Safety Group and the service led investigations into workplace COVID outbreaks in the borough. Similarly, the Community Wardens service resources were diverted to a COVID Marshall role, with staff engaging extensively with borough residents and helping to ensure the activities of the public were being conducted in a way which did not encourage spread of the COVID-19 virus. The COVID-19 pandemic has enabled the Council to build further on its relationships with local businesses and the community, whilst protecting the public at the same time.

The Benn Hall was understandably hit hard by its closure during the COVID-19 pandemic, which caused the cancellation/ postponement of many events. However, the service successfully worked with partners and was able to develop a post lockdown calendar as a result, which retained 95% of the pre-existing event bookings. This will help support the service's recovery in 2021/22.

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 COVID-19 pandemic this work was transferred to digital resources with art packs distributed to

participants via partners, the Shielding Hub and the Food Bank. Rugby Art Gallery and Museum has also partnered up with Warwickshire Pride to work on an exhibition linked to local experiences. The project will begin in 2020/21 after the COVID-19 pandemic restrictions are fully lifted.

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

### **Arrangements in place**

- A newly approved Corporate Strategy is in place covering the period 2021-2024, and which was subject to a public consultation exercise.
- The Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration presented to Cabinet in February 2021.
- 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 corporate COVID-19 pandemic risk register is also in place.
- A “clean” Value for Money opinion was received from the external auditors in 2020.
- 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, 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 post COVID-19 pandemic, 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 Rugby Art Gallery and Museum (RAGM), Queens Diamond Jubilee Centre, the Benn Hall and Sport and Recreation services were all impacted in 2020/21 by restrictions enforced during the COVID-19 pandemic. However, the Benn Hall was kept open to enable the blood donation service to continue and to support testing, which was vital during the COVID-19 pandemic. More recently the Benn Hall has also been used to provide drop in vaccination clinics to help maximise take up amongst the borough’s population. The RAGM and Sports and Recreation Services also took the opportunity to increase their online presence. The On Track/ Play service delivered school programmes during the lockdown, mentoring and providing classroom support. The service also delivered home care packs to vulnerable children. Home made videos were developed by the Play Rangers service (Tree Top Tom), showcasing how to deliver forest schools in gardens and other outdoor activities. This generated 18,000 views. The Rugby’s Parks Roadshow offered a range of activities for children during the school holidays, with the Play Rangers joining with the Rugby Art Gallery & Museum team to offer a range of games, sports, arts and crafts in the borough’s parks, in a COVID-19 secure setting. Rugby Live, the first online festival celebrating the best of the borough’s music, arts and heritage, attracted 16,000 viewers.

The Council took over and operated the local Foodbank whilst the usual operators were themselves shielding. Over 10,000kg of food was handed out to local residents, and over 700 food parcels were issued.

The Rugby Borough Council Parks team made up and distributed nearly 1,700 supply packages to over 300 shielding residents. Supply packages also contained activity packs created by Rugby Art Gallery and Museum, which included

puzzle books, sketch pads, pencils, paints and 'lockdown diaries' for children. Their foodbank operation also provided more than 700 food parcels to residents and delivered nearly 150 parcels to people unable to visit the foodbank to collect.

The Council provided over £0.558m in additional Council Tax support to residents, helping them to manage financial difficulties. It also administered, processed and paid support grants to local businesses, helping many to survive the COVID-19 pandemic. Under the various mandatory government schemes £29.364m was paid out to 1,443 businesses. Under the Council's discretionary schemes £4.088m was paid out to 374 businesses, with many commenting on how vital the support was in enabling them to survive the COVID-19 pandemic. The Council has also secured an additional £0.096m from the Welcome Back Fund, which is designed to support the return to the high streets.

The Council assisted in setting up local testing and vaccination hubs and granted the army usage of a car park to enable testing. More recently the Benn Hall has been used to enable local residents to access COVID-19 vaccinations via a drop-in clinic at weekends.

At the beginning of the COVID-19 pandemic the Council wrote to every household, providing detail on the various restrictions in place and providing detail of how members of the community could access the various avenues of support. The Customer Services Centre, faced with an understandable increase in queries from residents and businesses, also made individual telephone calls to 4,140 local clinically extremely vulnerable people to ensure their wellbeing needs were being met and that they had enough food. The service worked with Warwickshire Fire & Rescue who knocked on doors where the Council was unable to make contact.

The Rainsbrook Crematorium was kept open throughout the COVID-19 pandemic. There was an increase in cremations in the borough. The service managed the various legal requirements and the reduced numbers permitted at funerals. New practices had to be adopted very quickly, including social distancing. The service won a High Sheriff Award for great and valuable services to the community. Furthermore, following an outbreak of COVID-19 at the Crematorium which resulted in the service staff being sent home, the Street Scene team stepped in to run the bereavement service for a week, enabling funerals to continue during a very difficult time for the community.

Early in the COVID-19 pandemic there was an immediate instruction issued to Councils to ensure homeless people and rough sleepers were accommodated, under the "everyone in" agenda. The Council was responded rapidly, providing 12 rough sleepers with alternative accommodation. The Rugby Pathway provides a wraparound support service including mental health and addiction problems and helping with access to health service support. The service has enabled 20 long term rough sleepers to improve their livelihoods by entering secure tenancies. As a condition of the tenancies the customer is required to sign up to a behavioural code and agree to accept help and support where needed.

The Refuse service continued to operate throughout the COVID-19 pandemic with key frontline workers continuing to provide this essential service to the community, whilst following COVID guidelines. There were periods where staff themselves became ill with the virus, or were required to self isolate. This increased pressure on the service, however the Council was able to redeploy officers from other teams in order to maintain this critical frontline service. The community demonstrated its gratitude for the service by providing a large number of messages of support and thanks.

The Licensing team supported local businesses by issuing pavement licenses for outdoor hospitality and providing advice and support to taxi drivers. The Pest Control service also continued to be provided in the interests of public health, whilst many other authorities suspended it.

The Council approved planning applications for over 400,000 square metres of new employment land, and 753 new dwellings which will support the local economy in recovering from the COVID-19 pandemic.

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 £0.035m 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.

Work has been ongoing to implement the Council's housing strategy. Priorities have been the provision of new affordable homes to meet community need. 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 2020/21 the Council worked with Orbit, Clarion, Citizen, Midland Heart, SAGE, Sanctuary and Bromford to build 233 new affordable homes, this was higher than the level achieved in 2019/20 and is an excellent result considering the additional challenges posed by the COVID-19 pandemic. 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.

In 2020/21 the Council again achieved 5 Green Flag Awards – these are the international standard for parks and green spaces. The awards were granted for Caldecott Park (for the 13<sup>th</sup> consecutive year), Centenary Park, Millennium Green, Rainsbrook Cemetery and Crematorium, and Gladstone Green Pocket Park.

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 eight distinct service areas each with a Chief Officer, and dedicated member portfolio holders aligned with these service areas.
- 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 2020 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, which the Council looks to improve year on year, with greater focus on ownership and accountability.
- The Medium-Term Financial Plan is regularly reviewed and updated, with the latest iteration covering the period 2021 – 2024 endorsed by Cabinet in February 2021. The Medium Term Financial Strategy will be updated in 2021/22.
- 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**

Early in the COVID-19 pandemic, when the government instructed people to work from home wherever possible, the Council responded with a rapid deployment and facilitation of remote working. The back office IT function utilised budget that had been set aside for equipment replacement, to ensure staff needs were met. All staff were set up to work on MS Teams and to work successfully from home. The rapid and successful response enabled many Council services to continue uninterrupted. A new phone system is now being considered to support remote working on an ongoing basis. The Council also responded rapidly in creating a tactical group and COVID-19 dedicated leadership team which, along with the incident management team ensured the Council responded effectively and made the implementations necessary to meet the needs of the local community.

The Council is also continuing to develop its digital platform for customer interaction, and during the COVID-19 pandemic has encouraged the use of this more efficient and effective platform rather than face to face visits to the Town Hall. Self service transactions amounted to less than 20,000 in 2019/20 but there was a 50% increase to 29,000 transactions in 2020/21. The Customer Service Centre saw a 30% increase in service requests during 2020/21, whilst the number of face to face appointments fell from 12,000 to 2,000. The Council has pledged to improve the quality of its digital services and technology and is reshaping its capability to deliver that change. The Digital Board and Digital Strategy 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 new 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.

There are a number of other areas where the Council intervened successfully during the COVID-19 pandemic, including:

- Securing additional funding of £0.224m from the National Leisure Recovery Fund, and waiving the management fee to support the Queens Diamond Jubilee Leisure Centre.
- Securing a £0.078m arts recovery grant.
- Providing COVID-19 related support to private landlords, particularly Housing in Multiple Occupancy with shared facilities.
- Responding to the increase in fly tipping with a media campaign containing the strapline "don't be a tosser" and investing in new cameras to prevent and detect offenders.
- Responding effectively to protect the public following an increase in nuisance complaints and reports of bonfires during lockdowns.
- Redeploying staff from the Parks and Grounds services to the Shielding Hub, ensuring that vulnerable people who were shielding received the food and support they needed. Despite the redeployments, the services managed to catch up and deliver their work plans for the year.
- Review and overhaul of the community and voluntary sector grants process to focus on Council priorities moving forward.
- Successful delivery of a COVID-19 secure set of Borough, County and Police & Crime Commissioner elections all on the same day, with staff coming together from across the organisation.

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 326 preventions, compared with 224 by the end of last year and 50 by the end of the year before that. This has been achieved through setting up an enhanced partnership working approach including receiving referrals from partnership agencies, sending out regular correspondence to partners through a newsletter, having a social media presence, facilitating an online housing options self-assessment tool and presenting at strategic meetings. The project has also raised £0.699m of income and is now directly funded by North Warwickshire Council, Stratford upon Avon District Council, and Rugby Borough Council.

Finally, the Council has developed and approved a new Corporate Strategy for the next three years, reflecting the dramatically changed climate within which the Council is now operating due to the COVID-19 pandemic. The new strategy is focussed on the Economy, Climate, Health & communities, and Organisation. Work is in progress to develop the planned interventions which will be implemented to deliver on the Council's updated priorities.

**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 leadership team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The leadership team meets every week and Cabinet meets on a regular basis.
- Section 151 (Chief Finance and Performance) 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, with an updated policy implemented in 2020/21.
- 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 is actively promoted, 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 is 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 50 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.

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 the Council's employees have worked from home wherever possible 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. Surveys have also been used to gauge staff mental health during the COVID-19 pandemic. 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 COVID-19 pandemic. There has been a notable decline in the overall level of sickness absence, with the total level down by 19% and short term absence down by 53%.

As indicated above, the member training programme is currently being reviewed to ensure there is effective engagement and that members are developed and supported to fulfil their roles as effectively as possible. A Councillor Learning and Development policy is being prepared for consideration by members in August 2021. The policy will also draw on the results of a review completed by the Corporate Assurance and Improvement team, which highlighted examples of good practice applied elsewhere. Some improvements have already been implemented, 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. The opportunity was also taken to provide more online member training during the COVID-19 pandemic, which resulted in higher levels of attendance. **See Action 1.**

The structure of the leadership team was reviewed and updated in late 2020/21, in order to create more capacity at a senior level within the organisation, and to drive forward the priorities set out in the new Corporate Strategy including service transformation. The new structure was implemented with effect from 1<sup>st</sup> April 2021 and saw the establishment of 8 Chief Officer roles, who together with the Executive Director and Deputy Executive Director make up the new leadership team. Cabinet member portfolios have been aligned with new structure.

## **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. The Leadership Team, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health & Safety Committee, 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 Medium-Term Financial Strategy is in place and will be updated in 2021/22. An updated Medium-Term Financial Plan was presented to Cabinet in February 2021.
- 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 a scrutiny committee 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) are 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 the scrutiny committee.
- Data sharing protocols are in place where applicable.

- The Council has a track record of producing and publishing its accounts on time, and did so successfully during the COVID-19 pandemic.

### **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.

The new Leadership Team is working to develop a new framework for managing the Council's performance in line with the new Corporate Strategy. This includes the creation of a public facing dashboard which will improve stakeholder engagement and access to the Council's key performance information. Work is also ongoing to identify and agree the measures which will be implemented to demonstrate how well the Council is performing against the new Corporate Strategy. A digitalisation project is in progress to automate 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. **See Action 4.**

Further progress has been made during 2020/21 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 helped to provide assurance that the Council 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 was taken to manage the likelihood of risks materialising, and the associated impacts. Appropriate steps were also taken to prepare for the recovery of the organisation, the town and local economy and the environment. This work fed into the Council's new Corporate Strategy for 2021 to 2024. The COVID-19 risk register was subject to regular review and update during the COVID-19 pandemic, and was reviewed by the Audit & Ethics Committee.
- An external review of the Council's arrangements for managing COVID-19 health and safety risks.
- A review by Internal Audit of all operational risk registers, to identify any significant areas where controls were being relied upon, but which had not been previously identified and/ or included on the long list of internal audit coverage. No significant issues were identified by this work.
- A step change in the Council's governance was implemented, with key decisions now being taken after formal consultation in relation to risk management, financial implications, legal implications, environmental implications and equality & diversity implications. These matters were already considered by report authors; however the control is now enhanced because a wider group of key officers now review each proposed decision prior to its submission for approval. This means the Council's decisions are now better informed, and that any significant risks can be documented and managed.

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. The COVID-19 pandemic has only served to increase uncertainty about the Council's finances; however the financial position has been managed as robustly as possible throughout the year despite the volatile situation, with monthly reports being submitted to SMT and the Cabinet. Significant change will be

required to enable the Council to be financially self sufficient, and work on a Transformation Strategy and associated projects will begin in earnest during Summer 2021.

As well as getting the money out to businesses which were in desperate need of support during the COVID-19 pandemic, the Council set up systems and processes at speed to ensure the public purse was safeguarded as far as possible throughout. The Corporate Assurance and Improvement team quickly responded by amending its workplans, and provided support to ensure the efficient and effective running of the various schemes, whilst providing assurance that payments were being made only to those who were entitled. A number of potentially fraudulent payments were prevented as a result of this work. The same approach was applied to administering the self isolation grant scheme, which has paid £0.137m to 274 individuals. The Council also implemented a Creditors action plan, which evolved as necessary, to support suppliers during the COVID-19 pandemic, this included arrangements to ensure prompt payment.

During 2020/21 the Council has also reinforced its “No PO, No Pay” policy in respect of Purchase Orders. This is to help minimise the risk of fraud and to facilitate improved commitment accounting and financial planning, with automated accruals being possible at year end. When the policy was introduced, only 1 in 5 invoices were supported by a purchase order and that figure has now increased to 2 in 3. Invoices are now being sent back to suppliers if there is no purchase order and in 2021/22 the Finance team will begin circulating monthly performance statistics to Chief Officers regarding this policy. There was, unfortunately, one significant case of potential fraud identified during the year, which at the time of writing is under investigation. Nevertheless, learning lessons have already been identified and implemented, and the matter has been reported to the Audit & Ethics Committee and the Council’s external auditors. The No PO no Pay policy will also be enforced via the Council’s new financial regulations and instructions, which have been reviewed and updated for approval. The new financial regulations and instructions will be approved and implemented in 2021/22. **See action 7.**

The Council’s health and safety governance arrangements have been enhanced during 2020/21, with a new Health & Safety policy approved. An internal health & safety squad was formed, which co-ordinated a review of the Council’s health & safety risks and controls, and development of a prioritised action plan for improvement. Procurement of a new digital solution for managing health and safety was approved, and the system will be implemented in 2021/22. A new Health & Safety Committee was also formed to oversee the Council’s improvement in this area, and in recognition that protection of staff and the public is a priority for the organisation. The new Committee has formally agreed a new suite of both leading and lagging health and safety performance measures, with the overarching objective being to reduce accidents, incidents and near misses. The Council has also extended its in house health and safety expertise with one person achieving a professional qualification, and is utilising additional external support and expertise in this area.

Finally, the Council has developed and approved a new emergency plan during 2020/21, utilising support from the Joint Emergency Planning Officer. During 2021/22 the Council’s business continuity plans will be reviewed and updated, taking into account any lessons learned during the COVID-19 pandemic.

## **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 the Scrutiny committee.
- There is an open data section on the Council's website which includes details of senior officer salaries.
- Independent scrutiny training has been provided to members, the Democratic Services team and the Leadership Team.
- Implementation of external audit recommendations is monitored by the Chief Finance and Performance Officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to the Audit & Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Executive Director, 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 Leadership team.
- Governance arrangements for jointly managed organisations and partnerships have been assessed by Internal Audit and a Substantial level of assurance was provided.
- Regulation of Investigatory Powers Act (RIPA) policy in place.
- Invitations to tender are published along with the contracts register.

### **Effectiveness and future developments**

The Annual Audit Letter for 2019/20 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 June 2021 has concluded that the internal audit service continues to operate in general conformance with the standards. The service responded quickly to the challenges posed by the COVID-19 pandemic, mobilising to quickly amend the programme of work and aligning it to the needs of the Council. Despite the challenges faced during the COVID-19 pandemic, the service has still been able to deliver a broadly based internal audit opinion for 2020/21.

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. Independent in-house training was procured with the intention being that this would support the Committee to maximise its effectiveness. This training was initially scheduled for June 2020 but has not yet taken place due to the COVID-19 pandemic. The training will be rescheduled for 2021. **See action 1.**

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. There were regular Question and Answer sessions between the Leadership Team and members, particularly during the early stages of the COVID-19 pandemic. 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 and improving engagement. These arrangements have ensured discipline and structure to the Council’s decision making during the COVID-19 pandemic. Furthermore, member training sessions were also moved online, making use of MS Teams. Again, this made training events more accessible and easier for members to attend rather than everyone having to physically be at the Town Hall. As a result, member attendance at training events improved with 100% attendance at Planning Committee and Licensing & Safety Committee.

An internal audit review of compliance with the Local Government Transparency Code in 2019/20 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 has been completed in 2020/21. The follow up review confirmed that the Council is now meeting the requirements of the Transparency Code and a High level of assurance has now been provided.

The Democratic Services team has been working with Lead Officers across the Council to improve the quality of report writing so that decision making is of the highest quality. A report writing protocol has been developed and implemented. There is now a requirement to complete a checklist confirming that all the relevant internal consultees have reviewed each decision making report. This means reports are being presented to members after formal consideration of risk management, financial, legal, equality and diversity, and environmental considerations. The Council is making better informed decisions as a result. The Forward Plan of decisions is also now being circulated to Lead Officers to ensure effective planning in advance. The new Chief Officer – Legal and Governance is also planning to create a new Code of Corporate Governance for the Council during 2021/22, which will complement the Constitution and help to improve Officers’ understanding of delegated decision making. Once the new Code has been developed, training will be provided to Officers and Members. **See Action 5**

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

	Improvement Action	Assessment of Progress
1	Finalise and cascade the agile working policy, along with the updated IT Code of Conduct.	Completed
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.	In Progress A Councillor Learning and Development policy is being prepared for consideration by members in August 2021. Some improvements have already been implemented, 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. The opportunity was also taken to provide more

	Improvement Action	Assessment of Progress
		online member training during the COVID-19 pandemic, which resulted in higher levels of attendance. See Action 1 in updated action plan.
3	Rugby Art Gallery and Museum to deliver joint project with Warwickshire Pride.	Not Yet Started The project will be delivered once remaining lockdown restrictions have been lifted. See Action 2 in the updated action plan.
4	Finalise, approve, and implement the new Information Governance Framework.	Completed
5	Deliver the planned Risk Management work for 2020/21, including finalisation of the corporate risk register.	Completed The completed corporate risk register relates to the COVID-19 pandemic.
6	Deliver independent Audit & Ethics Committee effectiveness training.	In Progress Whilst training is delivered to all new members, the Council planned to bring in an external provider to deliver this independently in 2020/21. This was not practicable due to COVID-19 pandemic restrictions; however, it will be incorporated within the new member development programme. See Action 1 in the updated action plan.
7	Implement the action plan arising from the internal audit review of compliance with the Local Government Transparency Code.	Completed
8	Finalise and implement the new Financial Inclusion strategy.	In Progress This will be presented to Cabinet for approval in September 2021. See Action 3 in the updated action plan.
9	Implement the Data Maturity action plan.	In Progress The new Leadership Team is developing a new framework for managing the Council's performance. This includes the creation of a public facing dashboard. Work is also ongoing to identify and agree the measures which will be implemented to demonstrate how well the Council is performing against the new Corporate Strategy. A digitalisation project is in progress to automate the capture and reporting of data. See Action 4 in the updated action plan.

## 7. UPDATED ACTION PLAN

	Action	Lead officer	Target completion date
1	Develop, approve and implement the new Councillor Learning and Development policy, including the revised training programme.	Chief Officer – Legal & Governance	31/10/2021
2	Deliver the joint project between Rugby Art Gallery and Museum and Warwickshire Pride.	Lead Officer Arts Heritage and Visitor Services Manager	30/11/2021
3	Finalise and implement the new Financial Inclusion strategy.	Chief Officer – Communities & Homes	30/09/2021
4	Develop and implement the new framework for performance management.	Chief Officer – Finance & Performance	31/10/2021
5	Develop and implement the new Code of Corporate Governance.	Chief Officer – Legal & Governance	31/12/2021
6	Complete the review of corporate working groups, highlighting any areas of duplication or gaps in coverage.	Corporate Assurance and Improvement Manager	31/07/2021
7	Obtain approval for, and implement, the new Financial Regulations and Instructions.	Chief Officer – Finance and Performance	31/08/2021
8	Develop and implement the Council's arrangements for ensuring compliance with the new CIPFA Financial Management Code of Practice, including the self-assessment of compliance.	Chief Officer – Finance and Performance	31/12/2021

## 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 This year's statement has been written in the shadow of the COVID-19 pandemic and shows, despite the enormous challenges faced by the Council, the governance framework has been maintained and in a number



of areas improved during the year. 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 2021/22.

- 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: 14 December 2021

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

Date: 14 December 2021



## 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 UK LLP 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.

### **Business Rates**

A local tax paid by businesses, based on the value of their premises as assessed by the Government Valuation Office Agency (VOA).

### **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 Financing Requirement**

A measure of an authority's cumulative need to borrow to finance capital expenditure or to meet the costs of other long term liabilities.

### **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.

### **Market Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### **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 (MTFP)**

This is the detail and assumptions behind the MTFS and is referred to when the Council talk 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.

### **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.

### **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.

### **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**

Reserves are reported in two categories

#### Usable Reserves

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.



#### **Unusable Reserves**

Amounts that the Council is required to identify but which cannot be used to support the provision of services. The unusable reserves include unrealised gains and losses as identified in the Revaluation Reserve below and timing differences reflecting the statutory funding basis of Council expenditure compared to proper accounting practices.

#### **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.