



20 June 2023

## AUDIT AND ETHICS COMMITTEE – 29 JUNE 2023

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 29 June 2023 in Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley  
Chief Executive

### A G E N D A

#### PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 30 March 2023.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;  
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Councillors are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Councillor must withdraw from the room unless one of the exceptions applies.***

***Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Councillor does not need to declare this interest unless the Councillor chooses to speak on a matter relating to their membership. If the Councillor does not wish to speak on the matter, the Councillor may still vote on the matter without making a declaration.***

4. External Audit Plan 2022/23 (report to follow).
5. Pre Audited Statement of Accounts 2022/23.
6. Financial Regulations 2023/24.
7. Treasury Management 2022/23 – Annual Report.
8. Anti-Fraud, Bribery and Corruption Strategy.
9. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

1. Whistle Blowing Incidents – Standing Item – to receive any updates.
2. Fraud and Corruption Issues – Standing Item – to receive any updates.

***Any additional papers for this meeting can be accessed via the website.***

The Reports of Officers are attached.

**Membership of the Committee:** Mr P Dudfield (Chair), Mr J Eves (Vice-Chair), Councillors Mrs Roberts, Roberts, Roodhouse and Slinger

**Named Substitutes:** Councillors Mrs A'Barrow, Mrs Hassell, Moran and one vacancy

*If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail [veronika.beckova@rugby.gov.uk](mailto:veronika.beckova@rugby.gov.uk)). Any specific queries concerning reports should be directed to the listed contact officer.*

**AGENDA MANAGEMENT SHEET**

**Report Title:** Pre Audit Statement of Accounts 2022/23

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 29 June 2023

**Report Director:** Chief Financial Officer

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** All

**Prior Consultation:** N/A

**Contact Officer:** Jon Illingworth, Chief Officer Finance and Performance, jon.illingworth@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**Summary:** The purpose of this report is to present the pre audited Statement of Accounts for consideration by Audit and Ethics Committee prior to the completion of the external audit.

**Financial Implications:** There are no financial implications for this report.

<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.
<b>Legal Implications:</b>	There are no legal implications for this report.
<b>Equality and Diversity:</b>	There are no equality and diversity implications for this report.
<b>Options:</b>	None
<b>Recommendation:</b>	That the committee notes the summary of the Pre Audited Statement of Accounts 2022/23 and makes any comments it feels necessary to officers for the external audit process.
<b>Reasons for Recommendation:</b>	Although the pre audited accounts do not require any approval, the Committee does have the opportunity to inform the external audit process.

**Audit and Ethics Committee - 29 June 2023**

**Pre Audited Statement of Accounts 2022/23**

**Public Report of the Chief Financial Officer**

**Recommendation**

That the committee notes the summary of the Pre Audited Statement of Accounts 2022/23 and makes any comments it feels necessary to officers for the external audit process.

**1. Introduction**

- 1.1. This report introduces the Pre Audited Statement of Accounts 2022/23 for review by the Committee.

**2. Background**

- 2.1. The Accounts and Audit (amendment) Regulations 2022 came into force on 22 July 2022 and extended the deadline for the publication of final audited accounts to 30 November 2022 for 2021/22 accounts and then 30 September for 2022/23 accounts and the following five years. Therefore the deadline for publishing unaudited accounts has reverted back to the 31 May for the 2022/23 accounts. This is compared to the 31 July for 2021/22.
- 2.2. The Pre Audited Statement of Accounts 2022/23 were made available for public inspection from 1 June. The inspection period will conclude on 12 July, during which, and up to the conclusion of the audit, any local government elector within the Rugby Borough is able to question or make objections to the Council's external auditor, Grant Thornton UK LLP.
- 2.3. The external audit by Grant Thornton begins 3 July, after its conclusion the Statement of Accounts will be formally published. Any material changes as a result of the audit will be reported to the Audit and Ethics Committee at the earliest opportunity once the Accounts have been signed off by the External Auditor.
- 2.4. The Pre Audited Statement of Accounts is included in Appendix A.
- 2.5. A briefing paper summarising key information regarding the movement from 2020/21 – 2021/22 is included in Appendix B.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 29 June 2023

**Subject Matter:** Pre Audited Statement of Accounts 2022/23

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  **YES**  **NO**

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



# Unaudited Statement of Accounts Rugby Borough Council 2022/23

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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 2022/23 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2022/23 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, councilors and other interested parties.

The style and format of the Accounts complies with Chartered Institute of Public Finance and Accountancy (CIPFA) standards and the presentation is designed to make them user-friendly and accessible.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as follows:

- About Rugby Borough Council
- Governance
- Corporate Strategy 2021-24
- Financial Overview 2022/23
- Future Financial Outlook and Financial Resilience
- Finance Resilience Conclusion
- Financial Statements
- Further Information

Jon Illingworth CPFA  
Chief Officer – Finance and Performance  
31 May 2023

## About Rugby Borough Council

We are an ambitious local authority serving the borough of Rugby, in the centre of England close to Coventry, Leicester and Northampton.

One of the fastest growing boroughs in the country, we serve around 114,000 residents. We are proud of our diverse communities, our vibrant third sector, our environmental assets and the businesses that operate here.

We have ambitious plans for how the borough will develop in the future, ensuring a strong economy, healthy communities and environmental sustainability.

With major housing, retail and employment developments both recently completed and in the pipeline, and a town centre regeneration programme getting started, it's an exciting time to live and work in Rugby.

We employ around 420 staff working in our offices, at home, across our cultural facilities and running our direct labour services. 42 borough councillors, representing electors in 16 wards, run the council using a leader and cabinet model.

Our main services include waste and recycling, planning, development strategy, housing, licensing, elections, council tax, benefits, parking, business support and economic regeneration, community safety, environmental health, commercial regulation, parks and open spaces, arts and visitor services, bereavement services, and sport and recreation.

Demographic information provides statistics on the population, age profile, deprivation, occupations and economy, and it gives a picture of the population served by Rugby Borough Council.

A summary of the relevant demographic information for Rugby is shown in the diagram below.



Our plans for growth include two sustainable urban extensions, one on the eastern side of Rugby at Houlton, and one south west of Rugby. Both developments include significant housing and employment provision, and we are working hard to make sure that they are balanced, happy communities.

We have committed to become net zero carbon by 2030. Our approach is to deliver change within our areas of direct responsibility, enable others to make changes where we can, and influence change outside of our control. We want Rugby to be an environmentally sustainable place where we work together to reduce and mitigate the effects of climate change, transitioning Rugby to a low carbon place.

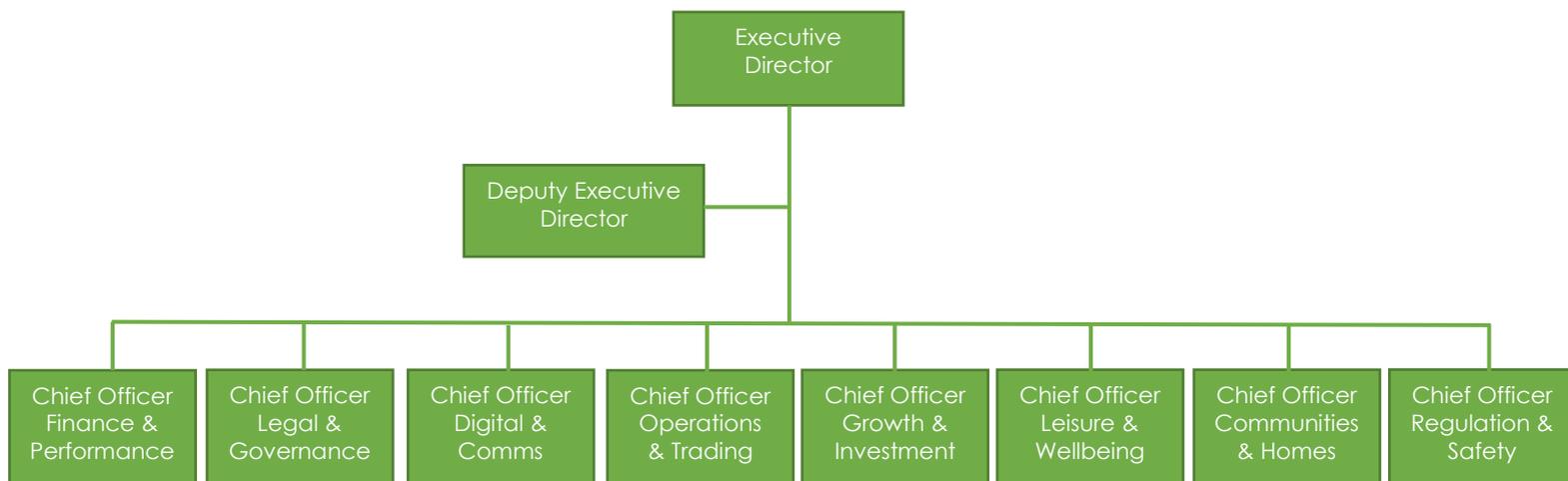
### Political Structure in the 2022/23 Municipal Year

The borough of Rugby has 16 wards, and the Council consists of 42 Members and is a Conservative controlled authority. Borough elections were held on 6 May 2022.

	2021/22	Change	2022/23
Conservative Group	25	(2)	23
Labour Group	8	2	10
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 Leadership Team, led by Executive Director Mannie Ketley and Deputy Executive Director Dan Green as below.



### 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 Manager & Transformation Lead and concludes that the overall governance framework continues to provide a Substantial level of assurance of effectiveness.

Further enhancements were made to our governance arrangements during 2022/23 including:

- A new Code of Local Governance – the Internal Constitution - has been approved and is being implemented. This complements the Constitution and will help to improve Officers' understanding of delegated decision making, and increase awareness of and compliance with policies and procedures.
- An independent external review of the Council's arrangements for managing fraud, bribery and corruption has been completed and provided a Substantial level of assurance. An updated Strategy and Response Plan has been prepared and is set to be approved by the Audit & Ethics Committee in June 2023.
- The Council has adopted and implemented a new Member & Officer Protocol during the year. This is part of the journey of transformation and change in culture. The new protocol establishes key pillars in how members and officers can work together effectively.
- During summer 2022 and with external support, the Leadership Team developed a new suite of KPIs, key statistics and performance measures which went live during Quarter 2. The measures were then presented to Cabinet as part of the Finance & Performance report for Quarter 3. In addition the Council has subscribed to CFO Insights which enables the Council to compare its performance across a whole range of areas to other Local Authorities.

We are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2023/24; this includes:

- Development and implementation of a new Anti-Fraud, Bribery and Corruption Action Plan.
- Implementation of the Action Plan arising from the internal audit review of Data Protection and Records Management.
- Completion of the planned work to further embed the performance management methodology across the Council. The next evolution, which is currently being progressed, is to establish a powerBI dashboard, which will make information more accessible and easier to understand and interpret.

## Corporate Strategy 2021-24

The corporate strategy will drive the Council's ongoing transformation programme, the outcomes described within the proposed corporate strategy correlate to the four pillars of recovery:



The strapline for the Council, “Right for Rugby”, recognises that, irrespective of the challenges we face, the Council’s commitment is to do the right thing for the residents, businesses, and communities of our Borough.

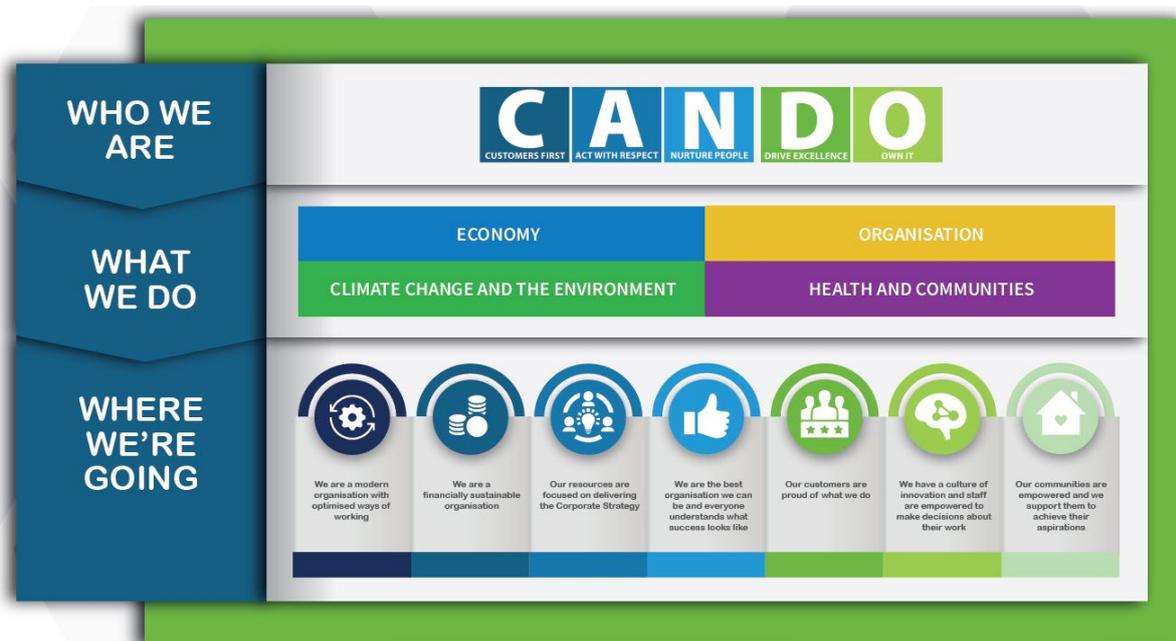
The strategy is focussed on the delivery of four overarching outcomes – those being:

- Rugby is an environmentally sustainable place, where stakeholders work together to reduce and mitigate the effects of climate change
- Rugby has a diverse and resilient economy, which benefits all residents
- Residents are able to live healthy, independent lives, with the most vulnerable protected
- Rugby Borough Council is a responsible, effective and efficient organisation

Within each outcome, the strategy describes key commitments which will guide delivery. These commitments are not exhaustive and may be altered or added to as the various agendas progress.

2022/23 has been a year in which this Council has continued to deliver against the strategy outcomes. Through an ambitious programme of transformation, we have been able to evolve our ways of working, deliver financial efficiencies and improve outcomes for customers. As we further progress this transformation programme, these successes will provide the foundations for our future projects and initiatives.

To complement the Corporate Strategy, the Rugby Blueprint has been produced to support the evolution of our culture, provide a framework for how we will become the best we can be, and to encourage innovation and empowered decision-making at all levels. That includes our communities: we want to work with them as equal partners to achieve their aspirations and collectively shape our borough and enhance local pride.



We will become more agile, make best use of technology to optimise our ways of working and improve our processes, while delivering high quality services to our residents.

We recognise the importance of effective working between Councillors and officers and will strengthen that relationship to support robust decision-making and to provide effective community leadership. We will become more commercially focused, maximising income to help to protect our services and deliver financial sustainability.

Alongside this, we will ensure we remain as efficient as we can be, and that best value is achieved wherever we spend public funds.

The Council's 'CAN DO' values remain at the heart of all we do. They represent who we are, and they will be an important part of our HR and Workforce Strategies.

Overall, our vision for the borough is clear – we want to address the climate emergency, support a thriving economy and ensure healthy communities. This vision will be delivered by an ambitious Council comprising employees and councillors acting as one team to do what is Right for Rugby.

Through the publication of our annual report in July 2023, the council will provide details of some of our work from the last 12 months, highlighting some of our key achievements. As always, our essential services remain at the heart of what we do and this has been achieved through the ongoing commitment of colleagues within the Council. A summary of the successes can be seen in the table below;

			
<p><b>Climate</b></p> <ul style="list-style-type: none"> <li>• We are now a Carbon Literate Organisation, having achieved Bronze Award in 2022.</li> <li>• We have enhanced the Parks Connector with aims to improve access to open spaces and provide a series of green travel corridors to promote walking and cycling.</li> <li>• We engaged with local business both to better understand their needs in terms of addressing Climate Change.</li> <li>• With our partner, EON improved the thermal efficiency of 95 private sector homes with wall insulation and loft insulation.</li> <li>• Adopted a new Climate Change and Sustainable Design and Construction Supplementary Planning Document (SPD).</li> <li>• We retained the Gold award at Heart of England in Bloom for 14th year running.</li> <li>• Earmarked a HRA Housing Climate Change reserve of £1M, as match funding, to support our recent successful £1.1M bid to the national Social Housing Decarbonisation Fund. As a result 110 households will benefit from external wall insulation</li> </ul>	<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• Provide funding the Coventry and Warwickshire Growth Hub, to provide help and support to medium to large businesses in Rugby and across the region.</li> <li>• We have secured £3million pounds over 3 years of UK Shared Prosperity Fund (UKSPF). In year 1 the Council has committed £314,680 to projects in the town centre</li> <li>• Delivered planning permission for over 100 hectares of employment land and worked with the owners of our strategic allocated employment sites to ensure that they are built out and provide jobs and opportunities for residents..</li> <li>• On South West Rugby the first phase of housing for 210 dwellings and a primary school has been granted planning permission and The Homestead Link Road application has been submitted which will provide the highway infrastructure required to allow the south west allocation to be delivered.</li> <li>• We continue to work with the Chamber of Commerce to deliver targeted initiatives for businesses. A three year programme has delivered a growth accelerator for businesses assisting 253 businesses and generating £468K of GDV.</li> <li>• There has been a new intake of apprentices across multiple Council services, working in partnership with Warwickshire College.</li> </ul>	<p><b>Health and Communities</b></p> <ul style="list-style-type: none"> <li>• The Rugby Lotto generated £31,000 income for local voluntary and community groups and good causes during 2022/23.</li> <li>• The work of the PHIL (Preventing Homelessness Improving Lives) project has successfully been integrated into the business-as-usual work of the Housing Advice and Benefits Team.</li> <li>• The councils Queen's Diamond Jubilee Centre operated by GLL saw an average of 65,000 visits per month</li> <li>• We have secured £6.8m of Homes England funding for new affordable homes at Biart Place. Along with a further £2M from the Local Enterprise Partnership.</li> <li>• The exhibitions at the Art Gallery and Museum included the New Cross Fire exhibition, working directly with the survivors of the tragedy remains a focal point of the fight for racial justice in Britain.</li> <li>• We have proactively addressed fly tipping with Community Wardens patrols, deployment of CCTV and working with partners such as Warwickshire Police.</li> <li>• 26,434 children and young people have benefited from the programme at Rugby Art Gallery and Museum</li> </ul>	<p><b>Organisation</b></p> <ul style="list-style-type: none"> <li>• delivered the first phase of our new Housing Management System. As well as being more efficient as all customer information is readily accessible within one system, tenants can now carry out tasks such as checking their rent accounts online.</li> <li>• Collected 98% of council tax through the energy crisis and cost of living crisis.</li> <li>• Our Internal Constitution has strengthened our internal governance and provides an overview of key areas and how officers and the organisation as a whole operate.</li> <li>• Winning the Royal Town Planning Institute Award for Planning Excellence in Heritage &amp; Culture for Houlton Secondary School.</li> <li>• Transformation projects have realised a cashable benefit of £0.286m in 2022/23 and a further £0.463m from April 2023. This includes procurement savings and ensuring that fees are set at levels which cover the costs of running services.</li> <li>• We paid the Council Tax Energy Rebate to over 36,000 households totalling over £5.4m in value, on time and with no extra resource.</li> <li>• We paid the Council Tax Energy Rebate to over 36,000 households totalling over £5.4m in value, on time and with no extra resource.</li> <li>• We have relaunched our tenant involvement offer to actively encourage our tenants to get involved with shaping the delivery their housing services.</li> </ul>

In addition to the above, the Council also has five Commercialisation Pillars, developed in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2022/23, which provide a baseline to work towards. This baseline supports officers to have active challenge and ensure projects are undertaken with the best interests of the Council in mind. The five pillars are as follows:



**Commitment/deliverability**

Ensuring that Rugby has secured appropriate financial commitments; that there is a clear focus on value for money; that the risk profile of the initiative/project is acceptable to Rugby.



**Value for resource**

Linked to commitment. Ensuring that Rugby has the required resources (internal/external/voluntary) and that resources are prioritised. Ensuring that there is balance between risk and reward to encourage innovation.



**Innovation**

"Encouraging our staff to be innovative". Creating an environment and the support network for staff to generate and realise new possibilities and ways of doing things.



**Reward and return**

Striking the right balance to ensure that we maximise the Councils USP as a key enabler for further change. To ensure that we cascade *reward and return* to our communities and the people/business we serve.

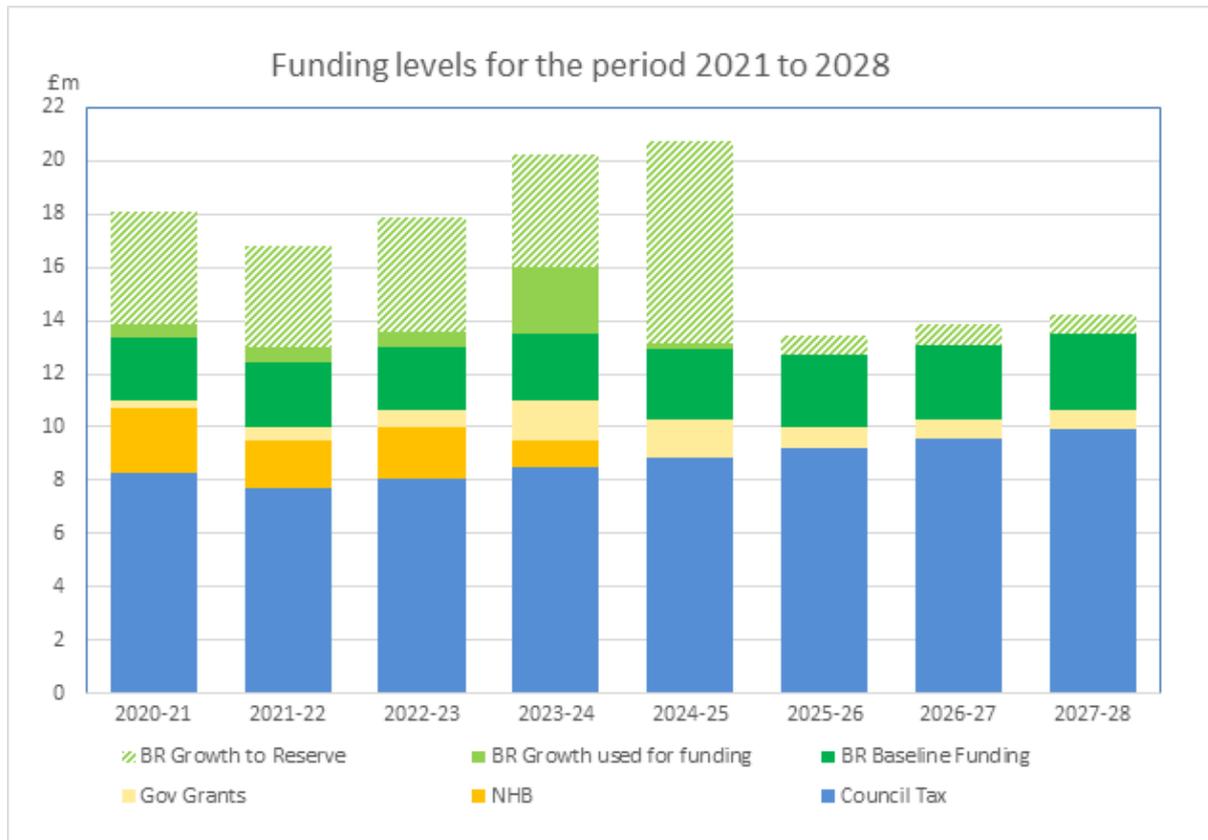


**Aspiration and inspiration**

Ensuring that we aspire and inspire the organisation to do the right things and that we create the right opportunities. Deliver the corporate priorities to get the best value, outcomes and services for our residents and businesses.

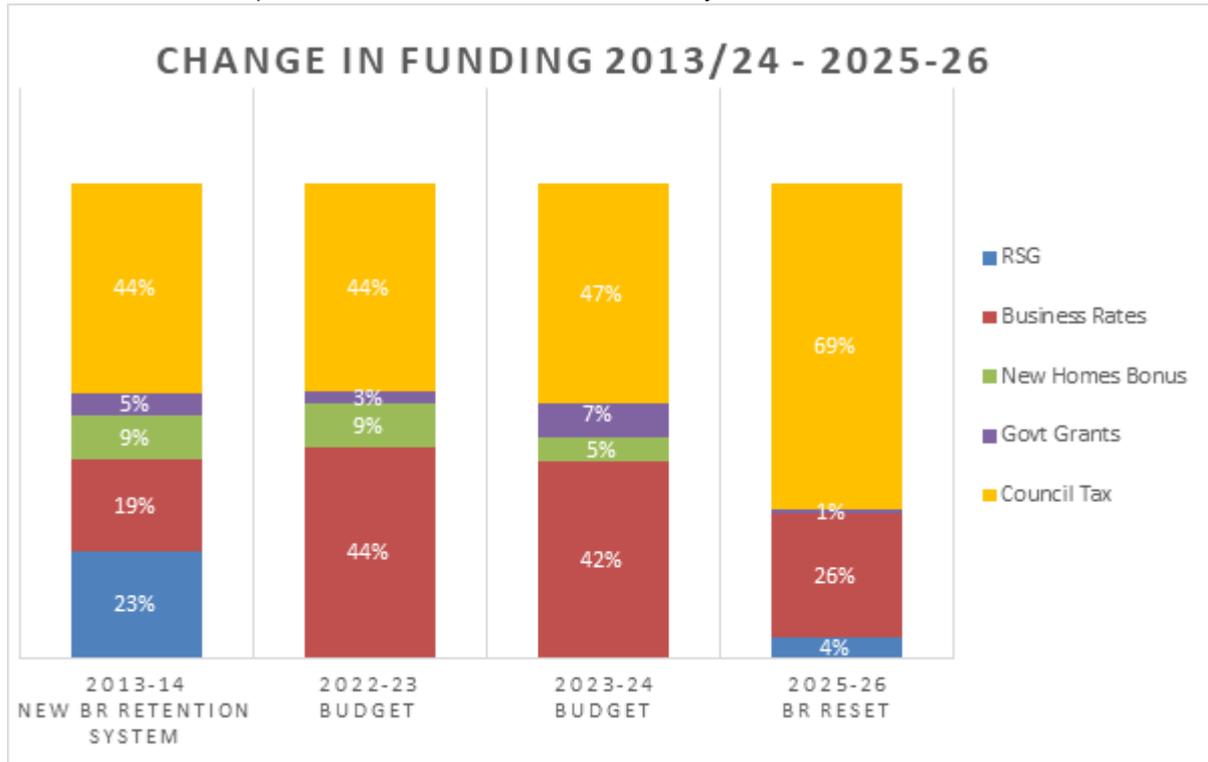
## Financial Overview 2022/23

The sources of funding for the Council since 2020/21 are detailed in the table below. Largely it comes from two sources, Council Tax and business rates. Council tax income remains relatively consistent throughout the period at the level between £8 to £10m. The annual increases derive from a combination of inflationary increases (capped at the greater of 2% or £5 for 2022/23) and growth of the tax base which relates to the increase in households in the borough.



Under the scheme that was established in 2013/14, the Council retains any growth in business rates over its baseline value which is £2.414m in 2022/23. As a high growth borough this has been a significant advantage to Rugby with a contribution to the reserve of (£4.416m) in 2022/23 which was made up of a budgeted contributed of (£2.633m) plus the 2022/23 surplus on the collection fund of (£1.783m). Under plans announced by Government in 2017 the baseline level of business rates is expected to be reset which could mean that the benefit of all the growth gained since 2013/14 is lost. The table below demonstrates that as well as receiving a significant reduction in income as a result of the reset, the % of council funding received from business rates has increased from 19% - 35%. In 2013/14 Council tax equated to around 44% of the funding

of the council, it is expected that this will increase to 69% by the time we reach 2025/26.



ted that

### Medium Term Financial Strategy

The existing Medium Term Financial Strategy (MTFS) ran for the period 1 April 2018 - 31 March 2023 and 22 February 2023 the new MTFS was approved by Council which runs for the period 1 April 2023 – 31 March 2027. The document aligns with the Corporate Strategy and there are a number of core principles that also underline the Medium-Term Financial Strategy (MTFS):

- Set robust, comprehensive and achievable budgets, exploring all avenues of income to meet our financial targets.
- Undertake commercial activities in the open market, where it is sustainable and responsible to do so.
- Maintain robust systems of governance that ensure fairness, accountability, and transparency.
- Treat taxpayers' money with respect and ensure that our high-quality services demonstrate value for money.

This MTFS is also supported by a strong framework of financial policies and strategy documents that include:

- Capital Strategy
- Treasury Management Strategy
- Local Plan 2011-2031
- Asset Management Strategy
- Procurement Strategy
- Housing Strategy
- Risk Management Strategy

The MTFS will now be a rolling 3-year document which will be updated as part of the annual budget setting process. This allows the organisation to be adaptable in a period of uncertainty around key Government funding decisions, but is also a more effective planning tool.

## Housing Revenue Account (HRA) Rents

Housing Rents were set by Council on 8 February 2022. Council agreed to a rent uplift of 4.1% (CPI + 1%) for 2022/23 in line with government guidance on Social Rent policy for the period 2020/21 to 2024/25.

## Council Tax

At the end of March 2023, the Council tax base was 0.83% above the approved budget and as a result the Collection Fund is in surplus at year end of £0.629m.

## Business Rates

During 2022/23 the actual business rates billed and accounted for was higher than the budgeted amount. As a result, there is a overall outturn surplus on the Collection Fund of (£1.783m) at the end of 2022/23.

## General Fund

The budget for 2022/23 was approved on 22 February 2022. This included portfolio related spend of £16.145m which is an increase of £0.335m from the 2021/22 financial year. Portfolio related spend includes the costs and fees and charges relating to the services that we provide.

The budget for the year included growth to mitigate against service pressures and inflation of £0.421m, savings and income of £0.293m and key decisions of £9.289m. After taking into consideration corporate items such as Minimum Revenue Provision and planned contributions to reserves the total budget for the General fund was £20.880m.

Included within the budget was income from Council Tax of (£9.126m) and business rates of (£7.412m), of which (£2.634m) is contributed to the business rates equalisation reserve to mitigate against the impact of the business rates reset expected on the 1 April 2023. In addition to the (£1.500m) of the business rates income above the baseline was used to increase the Transformation and Climate Change reserves in order to boost the pipeline projects in these areas.

As reported to Cabinet on 26 June, the 2022/23 total Portfolio expenditure was £18.077m against a revised budget of £15.980m, resulting in a pressure of £2.097m.

After adjusting for net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items, the net saving on Revenue expenditure is (£0.496m).

## Portfolio expenditure

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

Portfolio	Revised Budget £000	2022/23 Spend £000	Carry forward and Reserves £000	Revised Actual £000	Net Variance £000
Communities, Homes, Digital and Communications	2,306	2,592	0	2,562	256
Finance, Performance, Legal and Governance	3,062	3,392	0	3,392	331
Growth and Investment	1,560	1,708	38	1,746	186
Leisure and Wellbeing	3,597	3,913	52	3,965	368
Operation and Traded Services	4,328	4,920	0	4,920	592
Regulation and Safety	1,206	1,281	0	1,281	75
Executive Director	0	142	0	142	142
Change and Transformation	(79)	69	0	69	148
<b>Net Portfolio Expenditure</b>	<b>15,980</b>	<b>17,987</b>	<b>90</b>	<b>18,077</b>	<b>2,097</b>
Corporate Items	966	(1,481)	78	(1,403)	(2,369)
<b>Total Net Revenue Expenditure</b>	<b>16,946</b>	<b>16,506</b>	<b>168</b>	<b>16,674</b>	<b>(272)</b>
Financing and reserves	3,934	3,878	(168)	3,710	(224)
<b>Total Outturn</b>	<b>20,880</b>	<b>20,384</b>	<b>0</b>	<b>20,384</b>	<b>(496)</b>

This year has seen a large number of vacancies within services across all portfolios. With the move to a more agile way of working, this has meant more job opportunities have become available and Rugby Borough Council is now competing with a much wider range of recruiters. During 2022/23, we have seen a (£1.499m) saving on salaries which has been offset by an overspend on Agency of £1.215m. As at 31 March 2023, 56.04 full time equivalent posts are still vacant which equates to 13% of the budgeted establishment. Due to the large number of vacancies, recruitment expenses have risen to a total of £0.122m (a budget pressure of £0.075m) following the use of innovation such microsites to promote Rugby Borough Council as a place to work on top of targeted recruitment using partners such as WM Employers. In addition to this, jobs have had to be re-advertised on multiple occasions following the unsuccessful campaigns.

### Corporate Items, Income and Reserve Transfers

#### Corporate Items, Income and Reserve Transfers

After taking into account both the portfolio pressures and the Corporate Savings the Council had an overall total saving of (£2.369m). However this included pre approved mitigation to support portfolio pressures;

1. (£0.772m) – COVID recovery fund to support the legacy impact of increased costs or reduced income
2. (£0.500m) –Corporate Inflation Budget, held centrally to mitigate the impact of inflation increases in 2022/23.
3. (£0.250m) –To help fund improvements to the security of the Town Hall and COVID-19 related adaptations that are required due to the return to the workplace.

There is a saving of (£0.738m) Net Cost of Borrowing (NCoB) due to delays in the delivery of the capital programme and reviewing the funding of the schemes in the programme.

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
<b>Total Net Revenue Expenditure</b>	<b>16,946</b>	<b>16,507</b>	<b>(440)</b>
Retained Business Rates	(9,263)	(11,048)	(1,784)
Council Tax	(9,127)	(9,127)	0
New Homes Bonus Grant	(1,934)	(1,934)	0
Other Grants	(556)	(875)	(319)
<b>Total Corporate Income</b>	<b>(20,880)</b>	<b>(22,983)</b>	<b>(2,104)</b>
Carry forward from 2021/22	(1,182)	(1,182)	0
Carry forward to 2022/23	0	168	168
Contribution to Earmarked Reserves	1,354	1,451	97
Contribution to/from Budget Stability Reserve	(193)	(193)	0
Contribution to/from Business Rates Equalisation Reserve	3,954	5,737	1,783
<b>Total Transfers to/from Corporate Reserves and Balances</b>	<b>3,933</b>	<b>5,981</b>	<b>2,048</b>
<b>Net position</b>	<b>0</b>	<b>(496)</b>	<b>(496)</b>

### Reserves Balances and Future Strategy

Reserves are kept under scrutiny to ensure that balances are appropriate but also identify where there could be future challenges.

Plans show that over the medium term the Council is 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

The risk assessment completed for reserve usage identifies that the known risks are mitigated with the current balances of reserves. However analysis takes place on a quarterly basis to assess this.

Below is a summary of the reserve usage during 2022/23

Name of Reserve / Balance	Balance 1 April 2022 £000	Actual Contributions (To)/From £000	Balance 31 March 2023 £000
<b>Earmarked Reserves</b>	<b>(5,074)</b>	<b>1,249</b>	<b>(3,825)</b>
<b>Corporate Reserves</b>			
General Fund Balances	(2,250)	0	(2,250)
Business Rates Equalisation	(11,304)	(5,737)	(17,041)
Budget Stability	(3,064)	193	(2,871)
Climate Change	(500)	(500)	(1,000)
Transformation reserve	(400)	(948)	(1,348)
<b>Sub total Corporate Reserves</b>	<b>(17,518)</b>	<b>(6,992)</b>	<b>(24,510)</b>
<b>Grand Total</b>	<b>(22,592)</b>	<b>(5,743)</b>	<b>(28,335)</b>

### Earmarked reserves

Relates to a combination of a number of balances with mostly with lower balances than the ones identified separately

### Corporate Reserves

A reserves risk assessment is completed for the main corporate reserves set aside to respond to and manage financial risks in the medium term.

The Corporate and General Fund Reserves considered in this analysis are the General Fund balances, the Budget Stability Reserve, the Business Rates Equalisation Reserve, Climate Emergency Reserve and the Transformation Reserve.

Further information on reserves can be found in note 34 of the statements.

### Inflation risk

The ongoing impact of inflation could have a significant impact on the risk assessment, at the time of producing the 2023/24 budget, the national CPI figure was at 10.1% and although there was an expectation that this would stabilise, scale and speed of this was unknown.

To recognise the risk, built into 2023/24 budget is an inflation contingency of £0.330m which will be held centrally for any inflation costs in addition to what has been provided for. For subsequent years, £0.156m has been identified within the reserve risk assessment each year for increased gas and electricity costs in order to demonstrate the impact this could have on the general fund.

### Collection Fund

#### Council Tax

The amount accounted for within the General Fund in 2022/23 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 generate a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2022/23 the actual cash position for council tax was an overall surplus of (£0.629m). 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 surplus is (£0.069m) and this will be allocated to the General Fund in 2023/24.

#### Business Rates

The Council sets its business rates income budget on 31 January each year and it was anticipated that the Council would generate (£52.201m) net business rates income during 2022/23 with Rugby Borough Council retaining (£7.412m).

The outturn position is shown below.

<b>Business Rates Income</b>	<b>2022/23 Budget £000</b>	<b>2022/23 Outturn £000</b>	<b>Variance £000</b>
RBC share of BR Income @ 40% (as per the NNDR1 forecast)	(20,880)	(20,880)	0
Less Tariff	13,272	13,272	0
<b>Gross Amount Retained</b>	<b>(7,608)</b>	<b>(7,608)</b>	<b>0</b>
Section 31 Grants	(3,136)	(3,899)	(763)
Levy Payment	3,772	3,714	(58)
<b>Net Retained Income</b>	<b>(6,972)</b>	<b>(7,793)</b>	<b>(821)</b>
Coventry & Warks' BR Pool Income	(360)	(1,243)	(883)
Retained Disregarded Amounts	(80)	(126)	(46)
<b>Business Rates Income</b>	<b>(7,412)</b>	<b>(9,162)</b>	<b>(1,750)</b>
Year end reconciliation adjustments	-	(33)	(33)
<b>Total Business Rates Income</b>	<b>(7,412)</b>	<b>(9,195)</b>	<b>(1,783)</b>

The 2022/23 budget surplus of (£1.783m) 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.
- Due to the accounting requirements associated with grants income, the COVID-19 Additional Relief Fund relief (CARF) that has been fully funded by section 31 grants and received in 2021-22 has now realised
- The Council is a member of the Coventry & Warwickshire Business Rates Pool (the Pool). The pooling gain in 2022/23 was (£1.243m) which was higher than the budgeted amount of (£0.360m), due to the risk based approach taken at budget setting.

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 2023/24.

At year end there was an overall Collection Fund deficit of £2.280m. This arose because reduction in gross business rates due to temporary closure of the large business, slower than expected new business growth and increased level of reliefs that reduced net business rates payable.

The deficit will be distributed between ourselves, Warwickshire County Council and Central Government in the relevant shares, as detailed in the Collection Fund Statement Note 3. The Council's share of the deficit is £0.912m and this will be charged to the General Fund in 2023/24.

## Housing Revenue Account (HRA)

The year-end position for 2022/23 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	12,801	13,730	929
Income	(17,296)	(17,230)	66
<b>Net cost of HRA Services</b>	<b>(4,495)</b>	<b>(3,500)</b>	<b>995</b>
Contributions to (+) / from (-) reserves	4,495	3,500	(995)
<b>Surplus (-) / Deficit for year</b>	<b>0</b>	<b>0</b>	<b>0</b>

The pressure on expenditure mainly relates to a 45% increase in the number of void properties that have required extensive repairs and increased utility costs.

### Reserve Transfers and Balances

The level of the HRA Revenue balances was re-assessed a number of year ago considering potential risks arising from the Council's capacity to manage in-year budget pressures and the wider reform and regulatory environment.

In summary, there was an in year movement of (£4.401m) on HRA reserves and the overall balance held as at 31 March 2023 is (£27,916m) as follows;

Name of Reserve / Balance	Balance 1 April 2022 £000	Actual Contributions (To)/From £000	Balance 31 March 2023 £000
HRA Revenue Balances	(4,294)	209	(4,085)
HRA Capital Investment Balances	(15,014)	(2,422)	(17,436)
HRA Major Repairs Reserve	(3,805)	(1,256)	(5,061)
Housing Repairs Account	(93)	93	0
Sheltered Housing Rent Reserve	(309)	(49)	(358)
HRA Climate Change Reserve	0	(976)	(976)
<b>Net cost of HRA Services</b>	<b>(23,515)</b>	<b>(4,401)</b>	<b>(27,916)</b>

## Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £11.436m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget	Actual	Year end reprofiling	Variance
	£000s	£000s	£000s	£000s
Communities, Homes, Digital and Communications	2,419	1,366	828	(225)
Finance, Performance and Governance	52	23	29	0
Growth & Investment	346	124	191	(31)
Leisure and Wellbeing	2,092	1,033	1,093	34
Operation and Traded Services	6,248	3,094	3,145	(9)
Regulation and Safety	531	83	286	(162)
<b>Total General Fund</b>	<b>11,688</b>	<b>5,723</b>	<b>5,572</b>	<b>(393)</b>
HRA	45,719	5,713	38,106	(1,900)
<b>Total</b>	<b>57,407</b>	<b>11,436</b>	<b>43,678</b>	<b>(2,293)</b>

## Capital Receipts and Capital Grants

At 31 March 2023, the Council also held (£17.506m) of capital receipts HRA: (£12.767m) General Fund: (£4.739m) and (£0.022m) capital grants and contributions that had not yet been applied for financing expenditure. In 2022/23, (£2.825m) of receipts (net of pooling payments) were raised from the sale of 25 HRA properties under Right-to-Buy.

## Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2022/23, earlier years, and for future years. The total currently stands at £83.3m (both short and long-term borrowing) as shown on the balance sheet.

## Pension Fund

The Council's pension fund assets at 31 March 2023 are £6.5m, a decrease of £47.0m on the liability reported at 31 March 2022. One of the major reasons behind the change is the increase in the discount rate used in the assessment of future liabilities, the increase in the value of investments, and an assumed reduction in life expectancy.

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.

## Future Financial Outlook and Financial Resilience

### Future Funding

The Council faces a number of funding challenges, the most significant being:

- The loss of all existing growth due to the Business Rates Reset. The reset of the system could 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.
- The impending end of the New Homes Bonus scheme.
- The impact of rising inflation.

It was confirmed in the Local Government Finance Settlement (LGFS) that there would be no baseline reset in 2022/23 (initially planned for 2019/20) and is unlikely to take place for two years. This means the Business Rates Retention Scheme effectively rolls forward unchanged until 2025/26. This provides some confidence that a continued benefit of retained growth of above the baseline will be available to be transferred into the Business Rates Equalisation Reserve.

As a high growth borough, being able to maintain another two years business rates growth is significant. The Medium-Term Financial Strategy adopted a continuation policy to transfer any above sustainable baseline growth to the business rates equalisation reserve. Not only does this provide more resilience from the expected cliff edge reduction when the reset takes place, it also provides resources to potentially implement one off plans to implement the Corporate Strategy Delivery Plan.

However, 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.

### 2023/24 budget

The 2023/24 General Fund revenue balanced budget was delivered and approved on 22 February 2023 and totalled a net £20.636m. This is an decrease of £0.244m from 2022/23. Portfolio service expenditure increased by £2.536m from £16.145m to £18.501m. Significant expenditure items include £2.790m in relation to inflation and salary adjustments and service growth of £0.758m. To offset this, income and savings of £3.751m have been identified and through the completion of savings delivery plans the delivery will be RAG rated and through post delivery reviews the impact of the items will be analysed by the Leadership Team.

In relation to the funding of the Council, significant items include.

**£1.075m** - 3% Funding Guarantee. This new feature ensures every authority has a 3% increase in government funding (this essentially measures the change in Core Spending Power excluding Band D). It will be funded from "a proportion of" NHB legacy payments and the current Lower Tier Services Grant.

**£0.987m** - New Homes Bonus (NHB) will continue in 2023/24 and will be paid on the same basis as in 2022/23. The legacy payments, which will end in 2022/23, will be used to fund the new 3% funding guarantee. NHB's future in 2024/25 is unclear: ministers have promised to issue a new consultation before the 2024/25 settlement.

**£0.404m** - a 2.99% increase in the Band D equivalent council tax, which is in line with the maximum permitted

## Medium Term Financial Plan

The 2023-27 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 22 February 2023 is illustrated in the table below;

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
<b>Base Budget</b>	<b>20,682</b>	<b>20,636</b>	<b>23,377</b>	<b>17,473</b>
Growth Requirements	3,548	702	712	150
Other Corporate Adjustments	272	282	184	(17)
Savings and Income	(3,751)	(85)	(295)	0
Financial Management Adjustments	(115)	1,842	(6,505)	79
<b>Revised Budget Requirement</b>	<b>20,636</b>	<b>23,377</b>	<b>17,473</b>	<b>17,685</b>
<b>Financed by;</b>				
Government Funding	(2,463)	(1,324)	(249)	(224)
Council Tax	(9,530)	(9,812)	(10,300)	(10,696)
Collection Fund Surplus/Deficit CT	(70)	0	0	0
Business Rates including Damping	(8,573)	(10,483)	(3,480)	(3,557)
<b>Total Funding Requirement</b>	<b>(20,636)</b>	<b>(21,719)</b>	<b>(14,029)</b>	<b>(14,477)</b>
<b>Savings/transformation required</b>	<b>0</b>	<b>1,658</b>	<b>3,444</b>	<b>3,208</b>
<b>Reported Feb 2022 (+=Deficit)</b>	<b>3,200</b>	<b>0</b>	<b>65</b>	<b>65</b>
<b>Diff</b>	<b>(3,200)</b>	<b>(1,658)</b>	<b>(3,509)</b>	<b>(3,273)</b>

The shortfall of £1.658m in 2024/25 reflects the estimated significant items

- £0.987m reduction in the New Homes Bonus Grant as it is assumed the scheme will come to an end during 2023/24
- £0.452m increase in staffing costs due to increments and pay inflation
- £0.250m general inflation for goods and services

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 (£2.900m) on reset from 2023/24. 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 (£5.837m) in 2023/24 to (£0.734m) in 2025/26.
- 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 2023/24 has highlighted the future risks to funding with Officers formulating budgetary plans to address all potential scenarios.

In addition, the existing 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, these assumptions will be updated as part of the update of the document for the 2023/24 financial year.

## Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been presented for 2023/24. However, due to the current challenging financial environment further savings and transformation still need to be identified in order to deliver a balanced budget across the medium term. The high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2023/24 onwards. With the introduction of a new MTFs, we have set out how we are going to proactively tackle the challenges facing not just Rugby, but the sector as a whole.

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.

## Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2023. 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 2022/23 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 draft accounts do not take account of the revaluation of Council dwellings and land, as these are in the process of being finalised by the Council's valuer.

### 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 (MiRS)** 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) – Note 6

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 councilors 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.

## **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 2022 and its expenditure and income for the year then ended.

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

Date:

### 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 on XX September 2023

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

Date:

# The Primary Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 statutory requirements; 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.

2021/22 restated				Note	2022/23		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	
18,578	(15,568)	3,010	Communities and Homes		18,769	(15,245)	3,524
734	(558)	176	Digital and Communications		316	(146)	170
732	(123)	609	Executive Director's Office		483	(82)	401
1,515	(422)	1,093	Finance and Performance		7,329	(6,006)	1,323
3,191	(1,778)	1,413	Growth and Investment		3,444	(1,646)	1,798
18,870	(16,522)	2,348	Housing Revenue Account		14,947	(17,290)	(2,343)
2,338	(247)	2,091	Legal and Governance		2,467	(47)	2,420
5,726	(2,000)	3,726	Leisure and Wellbeing		6,485	(1,738)	4,747
7,845	(3,203)	4,642	Operations and Traded		8,470	(2,942)	5,528
3,323	(1,822)	1,501	Regulation and Safety		3,718	(2,015)	1,703
8,528	(76)	8,452	Corporate Items		164	0	164
<b>71,380</b>	<b>(42,319)</b>	<b>29,061</b>	<b>Total Cost of Services</b>	<b>6</b>	<b>66,592</b>	<b>(47,155)</b>	<b>19,437</b>
1,394	(1,387)	7	Other Operating Expenditure	9		(412)	(412)
3,518	(2,288)	1,230	Financing and Investment Income and Expenditure	10		1,730	1,730
13,272	(44,016)	(30,744)	Taxation and Non-specific Grant Income	11		(21,244)	(21,244)
<b>89,564</b>	<b>(90,010)</b>	<b>(446)</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(489)</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		(9,974)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				0
		(20,589)	Remeasurement of the net defined benefit liability/(asset)				(54,310)
		<b>(30,563)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>(54,310)</b>
		(31,009)	Total Comprehensive Income and Expenditure				<b>(54,799)</b>

## Movement in Reserves

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves is 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 (HRA) balance movements in the year following those adjustments.

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>(21,982)</b>	<b>(19,710)</b>	<b>(15,854)</b>	<b>(3,805)</b>	<b>(631)</b>	<b>(61,982)</b>	<b>(154,730)</b>	<b>(216,712)</b>
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	3,364	(3,854)				(489)	(54,310)	(54,799)
Adjustments between accounting basis and funding basis under regulations (note 7)	(5,606)	(2,385)	(1,000)	(1,613)	-	(10,604)	10,604	-
(Increase)/Decrease in 2021/22	(2,242)	(6,239)	(1,000)	(1,613)	-	(11,093)	(45,028)	(54,799)
<b>Balance at 31 March 2023</b>	<b>(27,833)</b>	<b>(26,894)</b>	<b>(13,931)</b>	<b>(5,457)</b>	<b>(22)</b>	<b>(74,138)</b>	<b>(198,695)</b>	<b>(271,511)</b>

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>(22,391)</b>	<b>(20,063)</b>	<b>(9,901)</b>	<b>(3,373)</b>	<b>(646)</b>	<b>(56,374)</b>	<b>(129,328)</b>	<b>(185,702)</b>
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	(4,414)	3,968				(446)	(30,563)	(31,009)
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,823	(3,615)	(5,953)	(432)	15	(5,162)	5,162	-
(Increase)/Decrease in 2021/22	409	353	(5,953)	(432)	15	(5,608)	(24,892)	(31,009)
<b>Balance at 31 March 2022</b>	<b>(21,982)</b>	<b>(19,710)</b>	<b>(15,854)</b>	<b>(3,805)</b>	<b>(631)</b>	<b>(61,982)</b>	<b>(154,730)</b>	<b>(216,712)</b>

## Balance Sheet

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

The draft accounts do not take account of the revaluation of Council dwellings and land, as these are in the process of being finalised by the Council's valuer.

	Note	31 March 2023 £000	31 March 2022 £000
Property, Plant and Equipment	13	242,102	243,937
Heritage Assets	14	34,505	34,428
Investment Property	15	690	690
Intangible Assets		1,075	346
Long Term Investments	17	10,874	25,866
Long Term Advances	17	5,155	2,294
Long Term Debtors	18	167	114
<b>Long Term Assets</b>		<b>294,568</b>	<b>307,675</b>
Short Term Investments	17	54,535	53,869
Assets Held for Sale	16	76	468
Inventories		256	304
Short Term Debtors	18	19,874	10,921
Cash and Cash Equivalents	19	13,037	14,380
<b>Current Assets</b>		<b>87,778</b>	<b>79,942</b>
Short Term Borrowings	17	(449)	(7,758)
Short Term Creditors	20	(21,351)	(19,241)
Short Term Provisions	21	(255)	(237)
<b>Current Liabilities</b>		<b>(22,054)</b>	<b>(27,236)</b>
Long Term Provisions	21	(4,082)	(3,615)
Long Term Creditors		(661)	-
Long Term Borrowing	17	(83,376)	(83,409)
Pension Liabilities	34	6,571	(40,407)
Grant Receipts in Advance	8	(7,031)	(16,238)
<b>Long Term Liabilities</b>		<b>(88,579)</b>	<b>(143,669)</b>
<b>Net Assets</b>		<b>271,712</b>	<b>216,712</b>
Usable Reserves	22	(73,319)	(61,982)
Unusable Reserves	24	(198,393)	(154,730)
<b>Total Reserves</b>		<b>(271,712)</b>	<b>(216,712)</b>

## Cash Flow Statement

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

	Note	2022/23	2021/22
		£000	£000
Net (Surplus) or deficit on the provision of services		490	446
Adjustment to net surplus or deficit on the provision of services for non-cash movements	25	12,388	24,959
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	25	328	(4,550)
<b>Net cash flows from Operating activities</b>		<b>13,206</b>	20,855
Investing activities	26	6,580	39,829
Financing activities	27	(19,786)	(54,846)
<b>Net increase or decrease in cash and cash equivalents</b>		<b>0</b>	5,838
Cash and Cash equivalents at the beginning of the reporting period		13,037	8,542
Cash and Cash equivalents at 31 March 2023	19	<b>13,037</b>	14,380

# Notes to the Accounting Statements

## 1 General Principles

The statement of accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

## 2 Accounting Standards 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'). The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 has introduced some changes to the accounting policies which will be required from 1 April 2022 and will be adopted by Rugby Borough Council from this date.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 Financial Statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a. IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). Rugby Borough Council will not be implementing IFRS 16 for 2023/24.
- b. Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- c. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- d. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

## 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

### Going Concern

Local Authorities are required by the Code of Practice on Local Authority Accounting 2022/23 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 the current cost of living crisis and high rates of inflation, experienced for fuel, electricity and other supplies, plus the consequential increase in demand for its services.

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 councilors 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.

Annually, the Council updates its Medium term financial plan to identify future financial challenges and to develop a strategy to address issues. The council has also been prudent in its establishment of reserves, which will help enable the Council to invest and achieve the savings plans.

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. 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.

#### 4 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 considering 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Other land and buildings £28.079m	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Council Dwellings £198,871m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	It is estimated that the annual depreciation charge for buildings would increase by approximately £4.6m for every year that useful lives had to be reduced.  An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement
Financial instruments	The Council holds £4m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings.	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 to transfer these gains/losses to the Financial Instruments Revaluation Reserve.
Provision for Business Rate Appeals £4.2m	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.	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2023 is £105m, of which the Council's share is 40% (£4.2m).

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		Should the success of appeals differ from the governments expectation by 1% the effect on the Coiuncil's net assets would be £0.04m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension asset - £6.57m	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Warwickshire County Council with expert advice about the assumptions to be applied.</p> <p>At 31 March 2023 the Council's share of the pension Fund liability is an asset, which means that, should the assumptions come to fruition as estimated, the Council would realise a cash surplus.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in a increase in the pension asset of £2.9 million.</p> <p>A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 34 Defined benefit pension schemes.</p>

## 5 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 31 March 2023 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2023 – 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.

No such events have been identified

## 6 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.

	2022/23					Net Expenditure Chargeable to the General Fund £000
	Net Expenditure in the CIES £000	Adjustments between the Funding and Accounting Basis			Total Adjustments £000	
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences		
		£000	£000	£000		
Communities and Homes	3,524	455	412	(16)	851	4,375
Digital and Communications	170	411	307	(6)	712	882
Executive Director's Office	401	0	181	(1)	180	581
Finance and Performance	1,323	0	327	(11)	316	1,639
Growth and Investment	1,798	9	267	(3)	274	2,072
Housing Revenue Account	(2,343)	3,934	590	(10)	4,514	2,171
Legal and Governance	2,420	1,700	178	(2)	1,876	4,296
Leisure and Wellbeing	4,747	0	284	(14)	270	5,017
Operations and Traded	5,528	748	846	(39)	1,555	7,083
Regulation and Safety	1,704	355	304	(14)	645	2,349
Corporate Items	165	0	1	15	16	181
<b>Cost of Services</b>	<b>19,437</b>	<b>7,612</b>	<b>3,697</b>	<b>(97)</b>	<b>11,212</b>	<b>30,649</b>
Other income and expenditure	(19,926)	(6,490)	1,072	3,748	(1,670)	(21,596)
<b>(Surplus) or Deficit</b>	<b>(489)</b>	<b>1,122</b>	<b>4,769</b>	<b>3,651</b>	<b>9,542</b>	<b>9,053</b>

<b>Opening General Fund Balances</b>	<b>(41,691)</b>
Plus Surplus/(Deficit) on General Fund in Year	(9,053)
<b>Closing General Fund Balances</b>	<b>(50,744)</b>

	2021/22					Net Expenditure Chargeable to the General Fund £000
	Net Expenditure in the CIES £000	Adjustments between the Funding and Accounting Basis			Total Adjustments £000	
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences		
		£000	£000	£000		
Communities and Homes	3,010	(159)	(330)	15	(474)	2,536
Digital and Communications	178	(343)	(280)	5	(618)	(440)
Executive Director's Office	609	0	(168)	0	(168)	441
Finance and Performance	1,092	0	(181)	7	(174)	918
Growth and Investment	1,412	(19)	(637)	0	(656)	756
Housing Revenue Account	2,348	(8,500)	(425)	3	(8,922)	(6,574)
Legal and Governance	2,091	(1,602)	(138)	1	(1,739)	352
Leisure and Wellbeing	3,726	0	(212)	3	(209)	3,517
Operations and Traded	4,642	(913)	(577)	3	(1,487)	3,155
Regulation and Safety	1,501	(225)	(240)	10	(455)	1,046
Corporate Items	8,452	0	(433)	0	(433)	8,019
<b>Cost of Services</b>	<b>29,061</b>	<b>(11,761)</b>	<b>(3,453)</b>	<b>47</b>	<b>(15,335)</b>	<b>13,726</b>
Other income and expenditure	(29,507)	10,900	(1,149)	6,793	16,544	(12,963)
<b>(Surplus) or Deficit</b>	<b>(446)</b>	<b>(861)</b>	<b>(4,602)</b>	<b>6,840</b>	<b>1,209</b>	<b>763</b>

<b>Opening General Fund Balances</b>	(42,454)
Plus Surplus/(Deficit) on General Fund in Year	763
<b>Closing General Fund Balances</b>	<b>(41,691)</b>

## 7 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.

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£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)	(3,889)	(780)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(1,176)	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(2,626)	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	110	4	-	-	-
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)	(2,624)	(2,441)	-	(3,182)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(10,205)</b>	<b>(3,217)</b>	<b>0</b>	<b>(3,182)</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,809	0	-	(2,809)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	222	-	-	(222)	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,412	-	-	-	-
Capital grants and contributions unapplied credited to the CIES	155	832	-	-	-
Use of Donated funds to finance capital exp	0	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,599</b>	<b>832</b>	<b>0</b>	<b>(3,032)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,419	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,183	-	-
Total Adjustments to Capital Resources	0	0	2,183	1,419	0
<b>Total Adjustments</b>	<b>(5,606)</b>	<b>(2,385)</b>	<b>2,183</b>	<b>(4,795)</b>	<b>0</b>

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts 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)	(4,464)	(308)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	819	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	5,975	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	43	6	-	-	-
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)	(3,169)	(11,842)	(3,161)	-	15
<b>Total Adjustments to Revenue Resources</b>	<b>(796)</b>	<b>(12,144)</b>	<b>(3,161)</b>	<b>0</b>	<b>15</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,489	2,937	-	(7,426)	-
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	1,459	-	-	-	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	164	2,365	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	66	-	(66)	-
Other Adjustment	-	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>5,619</b>	<b>5,368</b>	<b>0</b>	<b>(6,999)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,046	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,729	-	-
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>3,161</b>	<b>(432)</b>	<b>1,046</b>	<b>0</b>
<b>Total Adjustments</b>	<b>4,823</b>	<b>(3,615)</b>	<b>(432)</b>	<b>(5,953)</b>	<b>15</b>

## 8 Expenditure and Income Analysis by Nature

	2022/23	2021/22
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	24,093	23,221
Other service expenses	33,979	35,662
Depreciation, amortisation, impairment	9,698	12,496
Interest payments	1,829	2,384
Net interest on the net defined benefit liability	1,173	1,134
Precepts and levies	940	901
Payments to housing capital receipts pool	(222)	493
<b>Total expenditure</b>	<b>71,490</b>	<b>75,010</b>
<b>Income</b>		
Fees, charges and other service income	(11,196)	(12,286)
HRA dwelling rents	(16,243)	(15,561)
Interest and investment income	(2,398)	(2,235)
Income from council tax, non-domestic rates	(13,629)	(13,170)
Government grants and contributions	(27,331)	(32,045)
(Gain)/Loss on the disposal of non-current assets	(1,131)	(1,387)
Other income	(51)	(53)
<b>Total income</b>	<b>(71,979)</b>	<b>(75,456)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(489)</b>	<b>(446)</b>

## 9 Other Operating Expenditure

Other Operating Expenditure	2022/23	2021/22
	£000	£000
Parish Council Precepts	940	901
Payments to the Government housing capital receipts pool	(222)	493
Other Income - Unattached Receipts	(28)	(106)
(Gains)/Losses on the disposal of non-current assets	(1,103)	(1,281)
<b>Total</b>	<b>(413)</b>	<b>7</b>

## 10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2022/23 £000	2021/22 £000
Interest Payable and similar charges	1,829	2,384
Net interest on the net defined benefit liability	1,173	1,134
Interest Receivable and similar income	(2,398)	(1,417)
Income and expenditure in relation to investment properties and changes in their fair value	(51)	(52)
(Gains)/Impairment of financial assets	1,176	(819)
<b>Total</b>	<b>1,730</b>	<b>1,230</b>

## 11 Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income	2022/23 £000	2021/22 £000
Council Tax Income	(9,017)	(8,740)
Retained Business Rates	(17,780)	(17,703)
Business Rates Tariff Payment	13,272	13,273
Non-ring-fenced Government grants	(6,728)	(14,718)
Capital grants and contributions	(887)	(2,856)
<b>Total</b>	<b>(21,140)</b>	<b>(30,744)</b>

## 12 Grant Income

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

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

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

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

<b>Total Grants Credited to Taxation and Non-Specific Grant Income</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
New Homes Bonus	(1,934)	(1,780)
Business Rates Section 31 Grants	(3,919)	(3,872)
Other Non-Specific Revenue Grants	(875)	(1,120)
COVID-19 Non-Specific Revenue Grants	0	(7,945)
<b>Revenue Grants</b>	<b>(6,728)</b>	<b>(14,717)</b>
Capital Grants Non-Conditional	(56)	(2,046)
Capital Section 106 Funding Non-Conditional	0	0
Capital Grants Conditional	(389)	(337)
Capital Section 106 Funding Conditional	(441)	(474)
<b>Capital Grants</b>	<b>(886)</b>	<b>(2,857)</b>
<b>Total</b>	<b>(7,614)</b>	<b>(17,574)</b>

<b>Grants included as income in the Net Cost of Services</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Services</b>		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,209)	(12,517)
Other DWP grants	(123)	(504)
MHCLG grants	(493)	(283)
Section 106 Revenue Contributions for Grounds and Waste Services	(136)	(172)
Covid grants	0	(99)
Other Revenue Grants and Section 106 Funding	(884)	(1,378)
<b>Revenue Grants and Contributions</b>	<b>(13,845)</b>	<b>(14,953)</b>
MHCLG - Disabled Facilities Grant	(760)	(717)
Section 106 and Other Capital Conditional and Non-Conditional Funding	(2)	(18)
<b>Capital Grants and Contributions</b>	<b>(762)</b>	<b>(735)</b>
<b>Total Grants Credited to Services</b>	<b>(14,607)</b>	<b>(15,689)</b>

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

	2022/23	2021/22
	£000	£000
Revenue Section 106 Funding	(5,405)	(3,204)
Amounts Held for Specific Reasons	0	(48)
Council tax rebate	(50)	(5,632)
Covid 19 Additional relief grant	0	(2,908)
Restart grant	(741)	(741)
Other Revenue grants	(610)	(1,088)
Revenue Receipts Held in Advance	<b>(6,806)</b>	<b>(13,622)</b>
Capital Section 106 funding	0	(2,411)
Other Capital grants	(194)	(205)
Capital Receipts Held in Advance	<b>(194)</b>	<b>(2,617)</b>
Total Receipts Held in Advance	<b>(7,000)</b>	<b>(16,238)</b>

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.

	31 March 2022	Income	Expenditure	31 March 2023
Grants received where the Council acts as an Agent	£000	£000	£000	£000
Dept of Business, Energy and Industrial Strategy - Creditor	(669)	(592)	0	<b>(1,261)</b>
Test and Trace Support Scheme	36	(40)	4	<b>0</b>
England Sports Council	(2)	0	0	<b>0</b>
<b>Total</b>	<b>(634)</b>	<b>0</b>	<b>5,748</b>	<b>(50)</b>

## 13 Property, Plant and Equipment

2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant and 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 2022</b>	204,225	30,771	15,455	7,526	915	3,897	1,370	<b>264,159</b>
Additions	5,285	182	872	449	0	0	379	<b>7,167</b>
Derecognition - disposals	0	0	0	0	60	0	0	<b>60</b>
Derecognition - componentisation	(1,351)	0	(1,379)	0	(20)	(16)	0	<b>(2,766)</b>
Reclassification	0	0	19	0	0	0	(1,039)	<b>(1,020)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(249)	0	0	0	(125)	0	<b>(374)</b>
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	0	(1,457)	27	0	0	(216)	0	<b>(1,700)</b>
Other movements in cost or valuation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2023</b>	<b>208,159</b>	<b>29,220</b>	<b>14,967</b>	<b>7,975</b>	<b>955</b>	<b>3,540</b>	<b>710</b>	<b>265,526</b>
<b>Depreciation and impairment</b>								<b>-</b>
<b>At 1 April 2022</b>	<b>(6,305)</b>	<b>(998)</b>	<b>(10,032)</b>	<b>(2,837)</b>	<b>(20)</b>	<b>(30)</b>	<b>0</b>	<b>(20,222)</b>
Charge for 2022/23	(3,037)	(550)	(1,119)	(352)	0	(4)	0	<b>(5,062)</b>
Derecognition - disposals	54	0	1,352	0	20	16	0	<b>1,442</b>
Reclassification	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	0	845	0	0	0	14	0	<b>859</b>
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	0	(438)	0	0	0	0	0	<b>(438)</b>
<b>At 31 March 2023</b>	<b>(9,288)</b>	<b>(1,141)</b>	<b>(9,799)</b>	<b>(3,189)</b>	<b>0</b>	<b>(4)</b>	<b>0</b>	<b>(23,421)</b>
<b>Balance Sheet at 31 March 2023</b>	<b>198,871</b>	<b>28,079</b>	<b>5,168</b>	<b>4,786</b>	<b>955</b>	<b>3,536</b>	<b>710</b>	<b>242,105</b>

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant and 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 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>
Additions	4,963	590	1,150	811	-	-	739	<b>8,253</b>
Derecognition - disposals	(1,498)	(4)	(212)	(481)	-	-	-	<b>(2,195)</b>
Derecognition - componentisation	(997)	-	-	-	-	-	-	<b>(997)</b>
Reclassification	2,405	(44)	94	47	0	0	(2,997)	<b>(495)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,312	(154)	-	-	-	-	-	<b>3,158</b>
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(7,573)	(1,399)	-	-	-	-	-	<b>(8,972)</b>
Other movements in cost or valuation	(1,769)	-	-	-	-	-	-	<b>(1,769)</b>
<b>At 31 March 2022</b>	<b>204,225</b>	<b>30,771</b>	<b>15,455</b>	<b>7,526</b>	<b>915</b>	<b>3,897</b>	<b>1,370</b>	<b>264,159</b>
<b>Depreciation and impairment</b>								
At 1 April 2021	<b>(7,970)</b>	<b>(1,228)</b>	<b>(9,021)</b>	<b>(2,841)</b>	<b>(20)</b>	<b>(25)</b>	-	<b>(21,105)</b>
Charge for 2021/22	(2,994)	(560)	(1,210)	(478)	-	(5)	0	<b>(5,247)</b>
Derecognition - disposals	36	-	199	482	-	-	0	<b>717</b>
Reclassification	6	-	-	-	-	-	-	<b>6</b>
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	2,848	790	-	-	-	-	-	<b>3,638</b>
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	<b>0</b>
At 31 March 2022	<b>(6,305)</b>	<b>(998)</b>	<b>(10,032)</b>	<b>(2,837)</b>	<b>(20)</b>	<b>(30)</b>	<b>0</b>	<b>(20,222)</b>
<b>Balance Sheet at 31 March 2022</b>	<b>197,920</b>	<b>29,773</b>	<b>5,423</b>	<b>4,689</b>	<b>895</b>	<b>3,867</b>	<b>1,370</b>	<b>243,937</b>

The statement shows the progress of the Council's rolling programme for the revaluation of non-current assets.

	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	0	12		0	0	12	11,162	11,174
Valued at current cost in:								
2022/23		28,067	3536	690		32,293		32,293
2021/22	197,930				76	198,006		198,006
2020/21	941					941		941
2019/20				0		0		0
2018/19			0	0		0	457	457
<b>Total</b>	<b>198,871</b>	<b>28,079</b>	<b>3,536</b>	<b>690</b>	<b>76</b>	<b>231,252</b>	<b>11,619</b>	<b>141,871</b>

## 14 Heritage Assets

	Art and Social History Collections	Monuments and Statues	Historic Sites/Buildings	Civic Regalia	Intangible	Total Assets
	000s	000s	000s	000s	000s	000s
<b>Cost or Valuation</b>						
<b>At 1st April 2022</b>	5,344	685	28,232	215	15	<b>34,491</b>
Additions	0	196	164	0	0	<b>360</b>
Disposal	0	0	(17)	(2)	0	<b>(19)</b>
Revaluations	577	(310)	0	0	0	<b>267</b>
<b>At 31st March 2023</b>	<b>5,921</b>	<b>571</b>	<b>28,379</b>	<b>213</b>	<b>15</b>	<b>35,099</b>
<b>Depreciation</b>						
<b>At 1st April 2022</b>	(48)	0	0	0	(15)	<b>(63)</b>
Revaluations	0	0	0	0	15	<b>15</b>
Charge for year	(530)	(10)	(2)	0	(4)	<b>(546)</b>
<b>At 31st March 2023</b>	<b>(578)</b>	<b>(10)</b>	<b>(2)</b>	<b>0</b>	<b>(4)</b>	<b>(594)</b>
<b>Net book value at 31` March 2023</b>	<b>5,343</b>	<b>561</b>	<b>28,377</b>	<b>213</b>	<b>11</b>	<b>34,505</b>

## 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, are assessed for insurance purposes by council engineers based on re-instatement costs, A further revaluation of the bridges was undertaken in 2021/22.

## 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 2022/23. 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

## 15 Investment Properties

	2022/23	2021/22
	£000	£000
Balance at 1 April	690	690
Additions	0	0
Net gains/(losses) from fair value adjustments	0	0
Derecognition - disposals	0	0
Balance at 31 March	690	690

## 16 Assets Held for Sale

	2022/23	2021/22
	£000	£000
Balance at 1 April	468	3,701
Revaluation gains/(losses)		-
Assets unsold transferred back to PPE		(72)
Assets Sold	(392)	(3,629)
Assets transferred from PPE		468
Reclassification		-
Balance at 31 March	76	468

## 17 Financial Instruments

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

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
<b>Financial Assets</b>				
At Amortised Cost	10,119	48,544	25,771	46,705
At Fair Value through Profit and Loss	95	5,991	95	7,164
<b>Total Investments</b>	<b>10,213</b>	<b>54,535</b>	<b>25,866</b>	<b>53,869</b>
<b>Loans and Receivables</b>	<b>5,126</b>	<b>-</b>	<b>2,266</b>	<b>-</b>
Cash and Cash Equivalents	-	-	-	-
At Amortised Cost	-	13,037	-	14,380
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>13,037</b>	<b>-</b>	<b>14,380</b>
Trade Receivables	49	3,633	49	3,633
Included in Debtors	49	3,633	49	3,633
<b>Total Financial Assets</b>	<b>15,388</b>	<b>71,205</b>	<b>28,181</b>	<b>71,882</b>
<b>Financial Liabilities</b>				
Loans at Amortised Cost	(83,300)	(449)	(83,300)	(7,758)
Finance Lease	(60)	(22)	(81)	(28)
Creditors	-	(3,391)	-	(3,570)
<b>Total Financial Liabilities</b>	<b>(83,360)</b>	<b>(3,861)</b>	<b>(83,381)</b>	<b>(11,356)</b>

## 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:

	2022/23			2021/22		
	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(1,829)	-	-	(2,384)	-	-
Net loss on financial assets at fair value through profit and loss	-	-	(1,176)	-	-	-
<b>Total Expense in Surplus/Deficit on the Provision of Services</b>	<b>(1,829)</b>	<b>-</b>	<b>(1,176)</b>	<b>(2,384)</b>	<b>-</b>	<b>-</b>
Net gain on financial assets at fair value through profit and loss	-	-	-	-	-	819
Interest Income	-	1,623	522	-	1,063	227
<b>Total Income in Surplus/Deficit on the Provision of Services</b>	<b>-</b>	<b>1,623</b>	<b>522</b>	<b>-</b>	<b>1,063</b>	<b>1,046</b>
Gains on revaluation	-	-	1,176	-	-	(819)
<b>Net Gain/(Loss) for the year</b>	<b>(1,829)</b>	<b>1,623</b>	<b>522</b>	<b>(2,384)</b>	<b>1,063</b>	<b>227</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 2022 Fair Value	31 March 2022 Fair Value
			£000	£000
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,295	2,748
Fair value through profit and loss – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,869	2,052
Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,826	2,364
			<b>6,086</b>	<b>7,164</b>

There were no transfers between input levels during the financial year 2022/23. 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)

	31 March 2023		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets held at amortised cost</b>				
Corporate, Covered and Government Bonds	-	-	3,012	3,001
Long Term Investments	10,119	9,649	25,866	25,747
	<b>10,119</b>	<b>9,649</b>	<b>28,877</b>	<b>28,748</b>
<b>Assets for which Fair Value is not disclosed</b>				
Long Term Debtors	5,188	-	2,315	-
Short Term Investments	48,544	-	43,693	-
Cash and Cash Equivalents	13,037	-	14,380	-
Debtors	3,979	-	3,633	-
Sub-total	70,748	-	64,022	-
<b>Total Financial Assets</b>	<b>80,867</b>	<b>9,649</b>	<b>92,899</b>	<b>28,748</b>
<b>Financial Liabilities at amortised cost</b>				
Borrowing	-	-	-	-
Public Works Loans Board	(69,892)	(30,331)	(77,201)	(59,185)
Other	(13,857)	(11,460)	(13,856)	(18,104)
<b>Total Borrowing</b>	<b>(83,749)</b>	<b>(41,791)</b>	<b>(91,058)</b>	<b>(77,289)</b>
Finance Lease	(79)	(79)	(109)	(102)
Creditors	(3,391)	(3,391)	(3,570)	(3,570)
<b>Total Financial Liabilities</b>	<b>(87,218)</b>	<b>(45,260)</b>	<b>(94,736)</b>	<b>(80,961)</b>

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:

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans at a lower rate than was available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £30.331m 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 The Council would benefit from a discount, based on redemption interest rates for premature repayment of £31.806m. The exit price for the PWLB loans including the discount would be £38.086m.

The fair value of financial assets held at amortised cost is slightly lower than their balance sheet carrying amount because the interest rate on similar investments is now higher 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.

## 18 Cash and Cash Equivalents

	31 March 2023	31 March 2022
	£000	£000
Cash held by the Council	22	23
Bank current accounts	7,976	8,852
Call Accounts	5,039	5,505
	<b>13,037</b>	<b>14,380</b>

## 19 Debtors

	31 March 2023	31 March 2022
	£000	£000
<b>Amounts due within one year</b>		
Central Government Bodies	1,478	839
Other local authorities (inc. Police)	13,406	5,586
Homelessness	130	29
Rent payers	1,126	791
Council taxpayers	1,024	765
Non-domestic rate payers	411	359
Housing Benefit overpayments	681	741
Other entities and individuals	1,618	1,811
	<b>19,874</b>	<b>10,921</b>
<b>Amounts due in more than one year</b>		
Employee vehicle loans	62	49
Work in default	104	65
	<b>166</b>	<b>114</b>
<b>Total</b>	<b>20,040</b>	<b>11,035</b>

## 20 Creditors

	31 March 2023	31 March 2022
	£000	£000
<b>Amounts due within one year</b>		
HM Revenue and Customs	346	392
Central Government Bodies	13,548	10,575
Other local authorities (inc. Police)	4,208	4,498
Rent payers	379	355
Council taxpayers	140	116
Other entities and individuals	2,729	3,304
<b>Total</b>	<b>21,350</b>	<b>19,240</b>
<b>Amounts due in more than one year</b>		
Employee vehicle loans	661	0
	<b>661</b>	<b>0</b>
<b>Total</b>	<b>22,011</b>	<b>19,240</b>

## 21 Provisions

	2022/23			2021/22
	Business Rates Appeals	Other	Total	Total
	£000	£000	£000	£000
<b>Short-Term Provisions</b>				
<b>Balance at 1 April 2022</b>	<b>(114)</b>	<b>(124)</b>	<b>(238)</b>	<b>(674)</b>
Additional Provision made in year	(115)	(35)	(150)	(663)
Amounts used in year	116	-	116	664
Transfer between Long Term and Short Term	17	-	17	435
Unused amounts reversed in year	-	-	-	-
Other Movements	-	-	-	-
<b>Balance of Short-Term Provisions at 31 March 2023</b>	<b>(96)</b>	<b>(159)</b>	<b>(255)</b>	<b>(238)</b>
<b>Long Term Provisions</b>				
<b>Balance at 1 April 2022</b>	<b>(3,615)</b>	-	<b>(3,615)</b>	<b>(2,698)</b>
Additional Provision made in year	(1,185)	-	(1,185)	(1,270)
Amounts used in year	735	-	735	788
Transfer between Long Term and Short Term	(17)	-	(17)	(435)
Unused amounts reversed in year	-	-	-	-
Other Movements	-	-	-	-
<b>Balance of Long-Term Provisions at 31 March 2023</b>	<b>(4,082)</b>	-	<b>(4,082)</b>	<b>(3,615)</b>
<b>Total Provision</b>	<b>(4,178)</b>	<b>(159)</b>	<b>(4,337)</b>	<b>(3,853)</b>

## Provision for Business Rate Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. 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.

## 22 Usable reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2023 £000	31 March 2022 £000
General fund balance	9,236	2,250
General Fund Earmarked reserves	25,879	19,731
Housing revenue Account	169	4,295
Housing revenue Account – Major repairs allowance	5,061	3,805
Housing revenue account Earmarked reserves	15,608	15,415
Usable capital Receipts reserve	17,506	15,854
Unapplied capital grants reserve	(140)	631
<b>Total usable reserves</b>	<b>73,319</b>	<b>61,982</b>

## 23 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 2021 £000	Movement 2021/22 £000	31 March 2022 £000	Movement 2022/23 £000	31 March 2023 £000
<b>General Fund</b>					
Budget Stability Reserve	(3,048)	(450)	(3,498)	193	<b>(3,305)</b>
Business Rates Equalisation Reserve	(12,349)	1,045	(11,304)	(5,737)	<b>(17,041)</b>
Business Support Grants Reserve	0	0	0	(200)	<b>(200)</b>
Carry forward Reserve	(585)	(597)	(1,182)	1,182	<b>0</b>
Emergency climate reserve	(500)	0	(500)	(500)	<b>(1,000)</b>
Energy Efficiency Investment Fund	(76)	(15)	(91)	(31)	<b>(122)</b>
Hall of Fame Licence Reserve	(180)	129	(51)	51	<b>0</b>
Revenue Grants & Contributions from Third Parties	(613)	220	(393)	188	<b>(205)</b>
Section 106 (Developer) Contributions - Revenue	(980)	(517)	(1,497)	(440)	<b>(1,937)</b>
Town Centre Improvement Reserve	(192)	30	(162)	40	<b>(122)</b>
Transformation Fund	(500)	100	(400)	(948)	<b>(1,348)</b>
Waste reserve	(48)	(87)	(135)	29	<b>(106)</b>
Welfare Support Reserve	(560)	136	(424)	12	<b>(412)</b>
Other smaller reserves e.g. plant & equipment reserves	(511)	417	(94)	(26)	<b>(120)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(20,142)</b>	<b>411</b>	<b>(19,731)</b>	<b>(6,185)</b>	<b>(25,916)</b>
<b>HRA</b>					
HRA - Climate Change Reserve	0	0	0	(976)	<b>(976)</b>
Housing Repairs Account	(316)	223	(93)	93	<b>0</b>
Housing Revenue Account Capital Balances	(14,402)	(611)	(15,013)	(2,422)	<b>(17,435)</b>
Sheltered Accommodation	(260)	(49)	(309)	(49)	<b>(358)</b>
<b>Total HRA Earmarked Reserves</b>	<b>(14,978)</b>	<b>(437)</b>	<b>(15,415)</b>	<b>(3,354)</b>	<b>(18,769)</b>
<b>Total Earmarked reserves</b>	<b>(35,120)</b>	<b>(26)</b>	<b>(35,146)</b>	<b>(9,539)</b>	<b>(44,685)</b>

### 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

### **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

### **Emergency climate Reserve**

The reserve has been established to support the Council's objective to move operations towards carbon neutrality by 2030.

### **Transformation Fund Reserve**

The reserve will help 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.

### **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 to fund expenditure in future years.

### **Welfare Support Reserve**

This reserve will be used to support the Council's 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.

### **Carry Forward Reserve**

This reserve holds the balances of underspent General Fund revenue budgets in 2021/22, where expenditure has slipped or been deferred to 2022/23.

### **Other Smaller Reserves**

The Council has set aside several smaller reserves to support projects or to cover deferred and delayed expenditure.

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

An annual assessment is made on the need to support projects or to cover deferred and delayed expenditure relating to the HRA and related council house repairs and maintenance or capital projects.

## 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.

	31 March 2023 £000	31 March 2022 £000
Housing Act - Deferred Capital Receipt	(29)	(29)
Donated asset reserve	(60)	-
Revaluation Reserve	(67,834)	(69,368)
Capital Adjustment Account	(125,095)	(125,911)
Financial Instruments Revaluation Reserve	53	(1,123)
Pension Reserve	(6,571)	43,070
Collection Fund Adjustment Account	798	(1,829)
Accumulated Absences Account	345	460
	<b>(198,393)</b>	<b>(154,730)</b>

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.

	2022/23		2021/22	
	General Fund £000	HRA £000	Total £000	Total £000
<b>Opening Balance</b>	<b>(39,297)</b>	<b>(30,070)</b>	<b>(69,368)</b>	<b>(62,856)</b>
Upward Revaluation of assets	(808)	0	(808)	(12,954)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	763	88	851	3,490
<b>Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>(39,342)</b>	<b>(29,982)</b>	<b>(69,325)</b>	<b>(72,320)</b>
Difference between fair value depreciation and historical cost depreciation	626	520	1,146	966
Accumulated gains on assets sold or scrapped	2	343	345	1,986
<b>Balance as at 31 March</b>	<b>(38,814)</b>	<b>(29,019)</b>	<b>(67,834)</b>	<b>(69,368)</b>

## 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.

	2022/23 £000	2021/22 £000
<b>Opening Balance</b>	<b>(125,911)</b>	<b>(129,680)</b>
<b>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
General Fund charges for depreciation of non-current assets	2,445	2,514
HRA charges for depreciation of non-current assets	3,182	3,158
Revaluation and impairment loss: Property, Plant and Equipment	1,328	5,334
Amortisation of Intangible Assets	420	191
Changes in the Fair Value of Financial Instruments	0	0
Revenue Expenditure funded from Capital under Statute	1,147	790
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	1,717	6,104
	<b>10,239</b>	<b>18,091</b>
Adjusting Amounts written out of the Revaluation Reserve	(1,491)	(2,952)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(117,162)</b>	<b>(114,541)</b>
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,419)	(1,046)
Capital expenditure charged against the General Fund and HRA balances	(988)	(2,529)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,183)	(2,729)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,931)	(3,606)
Provision for the financing of capital investment charged against the General Fund and HRA	(1,412)	(1,460)
	<b>(7,933)</b>	<b>(11,370)</b>
	<b>(125,095)</b>	<b>(125,911)</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.

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	43,070	58,888
Remeasurement of the net defined benefit liability	(54,310)	(20,590)
Reversal of items relating to retirement benefits included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,669	7,668
Employer's pensions contributions and direct payments to retiree's payable in the year	0	(2,896)
<b>Balance as at 31 March</b>	<b>(6,571)</b>	<b>43,070</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 2023 £000	31 March 2022 £000
Balance at 1 April	1,829	4,146
Difference between Council Tax and Business Rates income is accounted for in the Comprehensive Income and Expenditure Statements and the Collection Fund.	(2,627)	(5,975)
<b>Balance as at 31 March</b>	<b>(798)</b>	<b>1,829</b>

## Accumulated Absences Account

This represents the holiday pay unpaid at 31 March 2022 but included in Gross expenditure for the year.

	2022/23 £000	2021/22 £000
Balance at 1 April	460	509
Settlement or cancellation of accrual made at the end of the preceding year	(460)	(509)
Amounts accrued at the end of the current year	346	460
<b>Balance as at 31 March</b>	<b>346</b>	<b>460</b>

## 25 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2022/23 £000	2021/22 £000
Interest received	2,398	1,440
Interest paid	(1,829)	(2,384)

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

	2022/23 £000	2021/22 £000
Depreciation/Impairment charge	5,609	5,254
Amortisation of Intangible Assets	420	191
	1,729	
(Increase)/Decrease in Investments	0	0
Revaluation of Non-Current Assets	1,327	6,260
Derecognition of Non-Current Assets	1,674	6,176
(Increase)/Decrease in Debtors	(9,594)	1,759
Increase/(Decrease) in Creditors	3,359	(2,437)
(Increase)/Decrease in Inventories	48	(148)
Increase/(Decrease) in Provisions	485	482
Movement in Pension Liability	7,332	7,422
<b>Total non-cash movements</b>	<b>12,388</b>	<b>24,959</b>

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

	2022/23 £000	2021/22 £000
Capital Grants	(886)	(2,856)
Proceeds from the Sale of Properties	(2,909)	(7,426)
Council Tax and NNDR Adjustments	4,123	5,975
	328	(4,307)

## 26 Cash Flow Statement – Investing Activities

	2022/23 £000	2021/22 £000
Purchase of property, plant and equipment, investment property and intangible assets	(7,794)	(8,423)
Purchase/Proceeds of short-term and long-term investments	11,465	40,647
Net payments/receipts for other investing activities	0	250
Other investing activity	60	(71)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,849	7,426
<b>Net cash flows from investing activities</b>	<b>6,580</b>	<b>39,829</b>

## 27 Cash Flow Statement – Financing Activities

	2021/22 £000	2021/22 £000
Other receipts from financing activities	886	2,856
Capital grants received	(9,207)	10,614
Cash receipts/repayments of short-term and long-term borrowing	(7,342)	(62,584)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	0
Other payments for financing activities	(4,123)	(5,975)
	<b>(19,786)</b>	<b>(55,089)</b>

## 28 Councillors Allowances

	2022/23 £000	2021/22 £000
Allowances	392	371
Employers' National Insurance	8	7
Expenses	2	1
<b>Total</b>	<b>402</b>	<b>379</b>

## 29 Officers' Remuneration

### Benefits payable during employment

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

2022/23	Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Executive Director	109,925	-	-	21,655	131,580
Deputy Executive Director	91,615	132	-	18,048	109,795
Chief Officer Finance & Performance	70,978	-	-	13,983	84,961
Chief Officer Leisure & Wellbeing	62,825	-	-	12,377	75,202
Chief Officer Growth & Investment	65,152	90	-	12,835	78,077
Chief Officer Legal & Governance	70,978	-	-	13,983	84,961
Chief Officer Communities & Homes	62,831	-	-	12,400	75,231
Chief Officer Regulation & Safety	62,825	-	-	12,377	75,202
Chief Officer Operations & Traded	51,482	-	-	10,142	61,624
Chief Officer Digital and Communications	62,825	116	-	12,377	75,318

2021/22	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Executive Director	100,820	-	-	19,860	120,680
Deputy Executive Director	86,560	-	-	17,050	103,610
Chief Officer Finance and Performance	60,900	-	-	12,000	72,900
Chief Officer Leisure and Wellbeing	55,820	920	-	11,000	67,740
Chief Officer Growth and Investment	27,160	-	-	4,860	32,020
Chief Officer Growth and Investment	25,380	20	-	5,000	30,400
Chief Officer Legal and Governance	60,900	-	-	12,000	72,900
Chief Officer Communities and Homes	16,410	-	-	2,430	18,840
Chief Officer Communities and Homes	46,620	-	-	9,190	55,810
Chief Officer Regulation and Safety	55,820	1,830	-	11,000	68,650
Chief Officer Digital and Communications	42,250	-	-	7,750	50,000
Chief Officer Digital and Communications	18,360	-	-	3,620	21,980

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	2022/23	2021/22
	Number of employees	Number of employees
£50,000 - £54,999	3	4
£60,000 - £64,999	1	1

## Exit Packages

Exit Packages (Termination Benefits) are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income and 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 8 employees in 2022/23 (4 in 2021/22), incurring liabilities of £0.102m (£0.026m in 2020/21). 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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
							£	£
£0 - £20,000	2	2	3	2	5	4	27,335	25,722
£20,001- £40,000	2	0	1	0	3	0	74,841	0
<b>Total</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>102,176</b>	<b>25,722</b>

## 30 Audit Fees

The Council's external auditors are appointed through Public Sector Audit Appointments Limited (PSAA), who also agree the fees to be charged by the auditor

	2022/23 £000	2021/22 £000
Fees payable for external audit services	50	64
Additional fees payable for external audit services in relation to previous years	7	11
Fees payable for the certification of grant claims and returns	26	20
Additional fees payable for the certification of grant claims and returns in relation to previous years	0	10
Public Sector Audit Appointments Refund	0	(22)
Redmond review grant from DLUHC	(22)	0
Fees payable in respect of other services provided by the auditor	6	6
<b>Total</b>	<b>67</b>	<b>89</b>

## 31 Related Party Transactions

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

### Central Government

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

### Councillors and Chief Officers

Based on existing key data sources, no material related party transactions have been identified amongst either the councillors 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 Councillors' 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 2022/23 is set out in Note 29 and Councillors allowances are stated in Note 28.

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

Based on a review of transactions made by the Council in 2022/23 the following transactions were made to or received from other public bodies.

- Nuneaton and Bedworth Borough Council paid £0.056m to Rugby Borough Council to meet the shared IT officer salary costs to provide Civica APP Support and Development.

### Shared Service Arrangements

The council has the following shared service arrangements. There were no material interactions in 2022/23.

- Rainsbrook Crematorium
- Shared Building Control Service
- Local Authority Emergency Planning Officer Scheme

### Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2022/23; these are mainly local Government associations or local groups that the Council supports with grant aid and advice.

**Rugby First Ltd - BID Division** - An amount of £0.864m was paid to the BID Company in 2022/23 of which £0.582m related to the collection of BID levy income £0.268m is used to provide a CCTV Monitoring and Town Centre Management Service and £0.014m for contributions to the BikeFest and Christmas lights

**Queen’s Diamond Jubilee Centre** - Rugby Borough Council funded £0.277m in capital charges in 2022/23 and received £0.358m for the annual contract fee and profit share as per the contract agreement.

### Other significant related parties

**Sherbourne recycling** – Sherbourne Recycling was established in 2021 to develop and operate a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council). In 2021/22 The council purchased shares £0.1m and has made further loanadvances of £2.3m in 2022/23.

## 32 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.

### Capital commitments

At 31 March 2023, the Council had capital commitments of £Nil (31 March 2022: £Nil) in respect of bathroom upgrade contracts, Bell House redevelopment and Biart Place demolition contract

### Capital Financing Requirement (CFR)

	2022/23	2021/22
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>86,879</b>	<b>86,744</b>
<b>Capital Investment:</b>		
Property, Plant, and Equipment and Assets Held for Sale	7,150	8,253
Heritage Assets	238	0
Intangible Assets	267	170
Revenue Expenditure Funded from Capital under Statute	1,147	790
Long term loan	2,635	2,292
<b>Capital Investment Total</b>	<b>11,437</b>	<b>11,505</b>
<b>Sources of Financing:</b>		
Capital Receipts	(1,419)	(1,046)
Government Grants and Other Contributions	(1,931)	(3,607)
Sums Set Aside from Revenue	(988)	(2,529)
Earmarked Reserves	(2,183)	(2,729)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,412)	(1,459)
<b>Financing Total</b>	<b>(7,933)</b>	<b>(11,370)</b>
<b>Closing Capital Financing Requirement</b>	<b>90,383</b>	<b>86,879</b>
<b>(Increase)/Decrease in underlying need to borrow</b>	<b>3,504</b>	<b>(135)</b>

## 33 Leases

### 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 2022. At inception, no upfront premium was payable and the minimum lease payment of “one peppercorn” has not been charged.

#### Operating Leases

The Council has entered several 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 2023 £000	31 March 2022 £000
Not later than one year	260	338
Later than 1 year and not later than 5 years	101	60
	<b>361</b>	<b>398</b>

The Council holds a limited number of operating leases, mainly relating to the lease of photocopiers with an annual rental of £0.035m and lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of “one peppercorn” per annum.

### The Council as Lessor

#### Finance leases

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

	31 March 2023 £000	31 March 2022 £000
Not later than one year	58	12
Later than 1 year and not later than 5 years	96	103
	<b>154</b>	<b>115</b>

#### 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 2023 £000	31 March 2022 £000
Not later than one year	86	87
Later than 1 year and not later than 5 years	237	300
Later than 5 years	1,848	1,554
	<b>2,171</b>	<b>1,941</b>

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews. In 2022/23 no contingent rents were receivable by the Council.

## 34 Defined Benefit Pension Scheme

### 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.

### 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 2022, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES and HRA are summarised in the following tables.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2021/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
• Current Service Costs	6,314	6,535		
• Past Service Costs				
Financing and Investment Income and Expenditure				
• Net Interest Expense	1,173	1,109	0	0
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,487</b>	<b>7,644</b>	<b>0</b>	<b>0</b>
<b>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
Re-measurement of the net defined benefit liability comprising:				
• Actuarial (gains)/losses arising on changes in financial assumptions	62,490	12,396	0	10
• Actuarial (gains)/losses arising on changes in demographic assumptions	3,531	960	0	9
• Other experience	(6,960)	(360)	0	(63)
• Return on Plan Assets (excluding the amount included in the net interest expense)	(133)	7,637		
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>58,928</b>	<b>20,633</b>	<b>0</b>	<b>(54)</b>
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(7,488)	(7,644)	0	(25)
Actual amount charged against the General Fund and HRA Balances for Pensions in the year:				
• Employer's contributions payable to the scheme	55	145		103
• Early payment transferred to pension liability	2,664	2,664		78
• Retirement benefits payable to pensioners			100	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,769)</b>	<b>(4,835)</b>	<b>100</b>	<b>156</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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Present Value of the Defined Benefit Obligation	(120,557)	(172,453)	(1,032)	(1,265)
Fair Value of Plan Assets	128,160	133,311	-	-
<b>Net Liability Arising from the Defined Benefit Obligation</b>	<b>(7,603)</b>	<b>(39,142)</b>	<b>(1,032)</b>	<b>(1,265)</b>

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

	2022/23 £000	2021/22 £000
<b>Opening Balance at 1 April</b>	<b>133,311</b>	<b>126,609</b>
Interest Income on Plan Assets	3,550	2,496
Return on Plan Assets, excluding the amount included in the net interest expense	(5,201)	7,637
Contributions from Employer	55	145
Contributions from Scheme Participants	884	824
Benefits Paid	(4,439)	(4,400)
<b>Closing Balance at 31 March</b>	<b>128,160</b>	<b>133,311</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Opening Balance at 1 April</b>	<b>(172,453)</b>	<b>(178,885)</b>	<b>(1,265)</b>	<b>(1,299)</b>
Current Service Cost	(6,259)	(6,535)		
Interest cost	(4,723)	(3,605)	0	(25)
Contributions by Scheme Participants	(884)	(824)		
Re-measurement (Gain)/Loss:				
• Actuarial (gains)/losses arising from changes in demographic assumptions	62,490	12,396	0	10
• Actuarial (gains)/losses arising from changes in financial assumptions	3,531	960	0	9
• Other experience	(6,510)	(360)	0	(63)
Adjustment	(133)		133	
Benefits Paid	4,439	4,400	100	103
Past Service Costs	<b>(55)</b>		<b>55</b>	
<b>Closing Balance at 31 March</b>	<b>(120,557)</b>	<b>(172,453)</b>	<b>(1,032)</b>	<b>(1,265)</b>

## 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 2023

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

	2022/23	2021/22
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners (years):</b>		
Men	21.3	21.6
Women	24.1	24.1
<b>Longevity at 65 for future pensioners (years):</b>		
Men	21.8	22.7
Women	25.9	25.9
<b>Financial assumptions</b>		
Rate of increase in salaries	3.95%	4.00%
Rate of increase in pensions	2.95%	3.20%
Rate of discounting of scheme liabilities	4.75%	2.70%

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 % increase to Employer Liability	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	2,093
1 year increase in member life expectancy	4%	4,864
0.1% Discount in the Salary Increase Rate	0%	221
0.1% increase in the Pension Increase Rate (CPI)	2%	1,902

## Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be undertaken as at 31 March 2023, and will be reported later in 2023.

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

The authority anticipated to pay £2.7m expected contributions to the scheme in 2023/2024.

## 35 Contingent Assets and Liabilities

### Contingent Liabilities and assets

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.

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.

The Council has no contingent assets or liabilities at 31 March 2023.

## 36 Accounting policies

### 1. 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.

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

## 2. 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.

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

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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.

## 4. Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

## 5. Council Tax and Non-Domestic Rates

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

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 6. Employee Benefits

### Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year. 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.

### Termination Benefits

Termination benefits are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an 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.

### 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.

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.

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 based on 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 4.75% (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 because 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.

## 7. 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 2022/23 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2023 – 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.

## 8. 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 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.

## 9. Government Grants and Contributions

### Grants

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.

### Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following 5 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 will be accounted for within the statement of accounts.

## 10. 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.

## 11. 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.

## 12. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and Currently it is not required to prepare group accounts. In the authority's own single-entity accounts.

The interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## 13. 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 based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 14. 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.

## 15. 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 West Northamptonshire 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 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 31 Related Party Transactions.

## 16. 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.

## 17. 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.

## 18. Property Plant and Equipment

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

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided 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 except for 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 reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 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 £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement 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.

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.

## 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.

## **19. Provisions, Contingent Liabilities & Contingent Assets**

### Provisions

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

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

### Contingent 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.

### 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.

## 20. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

## 21. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

## 22. Value Added Tax (VAT)

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

## 23. Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note 17. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## 37 Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates and stock market movements.

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
- **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 represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

This risk is minimised through the Annual Treasury Management Strategy 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.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality counterparties and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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.

### 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 2023	31 March 2022
	£000	£000
Less than one year	52,708	51,505
Between one and two years	10,119	15,651
Between two and three years	1,826	12,484
More than three years	-	-
<b>Total</b>	<b>64,653</b>	<b>79,640</b>

### 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
- 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 2023	Approved maximum limits	Approved minimum limits
	%	%	£'000	£'000	%
Less than one year*	75	-	-	7,310	0
12 months to 2 years	75	-	-	-	0
Between 2 and 5 years	75	-	1,717	1,717	2
Between 5 and 10 years	75	-	-	-	0
Between 10 and 20 years	75	-	515	515	1
Between 20 and 30 years	75	-	512	512	1
Between 30 and 40 years	75	-	10,524	10,524	13
More than 40 years	75	-	70,480	70,479	84
<b>Between 30 and 40 years</b>	<b>75</b>	<b>-</b>	<b>10,524</b>	<b>10,524</b>	<b>13</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, rises 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 several 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. 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 Council has made the following judgement when classifying financial instrument.

## Statutory Override on pooled investments

The Council holds £6.0m (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.

## Housing Revenue Account (HRA)

### 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, based on which rents are raised, is shown in the Movement on the HRA Statement.

	2022/23	2021/22
	£000	£000
Income		
Dwelling Rents	(16,095)	(15,370)
Non-dwelling rents	(122)	(118)
Charges for services	(866)	(871)
Contributions towards expenditure	(150)	(115)
<b>Total Income</b>	<b>(17,233)</b>	<b>(16,474)</b>
Expenditure		
Repairs and maintenance	3,992	4,490
Supervision and management	5,580	5,439
Rents, rates, taxes and other charges	52	148
Depreciation and impairment of non-current assets	3,935	8,500
<b>Total Expenditure</b>	<b>13,559</b>	<b>18,577</b>
<b>Net (Income)/Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(3,674)</b>	<b>2,103</b>
HRA Share of Corporate and Democratic Core costs	291	254
<b>Net (Income)/Expenditure of HRA Services</b>	<b>(3,383)</b>	<b>2,357</b>
(Gain) or Loss on sale of HRA non-current assets	(1,120)	162
Interest payable and similar charges	1,295	1,838
Interest and investment income	(918)	(733)
Pension interest and expected return on pension assets	192	176
Capital grants and contributions receivable	0	243
Reversal - Impairment of Financial Instrument	80	(9)
Other Items	0	66
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(3,854)</b>	<b>4,100</b>

## Movement on the HRA Statement

	2022/23 £000	2021/22 £000
HRA revenue balance brought forward	(4,294)	(5,085)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	(3,854)	4,100
Adjustments between accounting basis and funding basis under statute	4,261	(3,749)
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>407</b>	<b>351</b>
Transfers to or (from) earmarked reserves	4,470	440
<b>(Increase) or decrease in the HRA Revenue Balance</b>	<b>209</b>	<b>791</b>
HRA revenue balance carried forward	(4,085)	(4,294)

## Note to the Movement on the HRA Statement

	2022/23 £000	2021/22 £000
Adjustments between accounting basis and funding basis under statute		
Depreciation of non-current assets	(3,182)	(3,158)
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(568)	(5,322)
Amortisation of intangible assets	(183)	(20)
Amounts of non-current assets written off on disposal or sale	(1,689)	(3,099)
Sale proceeds credited as part of the gain/loss on disposal	2,809	2,937
Transfer to Accumulated Absences account	4	6
Capital expenditure financed from revenue balances	0	2,365
Capital grants and contributions applied	0	(243)
Transfer of Unattached Receipts to the Capital Receipts Reserve	0	(65)
Net charges made for retirement benefits (IAS 19)	(780)	(309)
Reversal of Major Repairs Allowance credited to the HRA	3,182	3,158
Statutory provision for the financing of capital investment	0	0
	<b>(4,260)</b>	<b>(3,750)</b>

Transfers to or (from) earmarked reserves	2022/23 £000	2021/22 £000
Transfer to or (from) Housing Repairs Account	49	49
Transfer to or (from) HRA Capital Investment balances	(93)	(223)
Transfer to or (from) HRA Climate change reserve	976	0
Transfer to or (from) other earmarked reserves	2,422	611
	<b>3,354</b>	<b>52</b>

## Note 1 HRA Assets

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

	2022/23	2021/22
Houses/Bungalows (including part-ownerships)	2,117	2,140
Flats	1,536	1,536
	<b>3,653</b>	<b>3,676</b>

The change in the stock was as follows:

	2022/23	2020/21
Stock at 1 April	<b>3,676</b>	<b>3,789</b>
Less sales (including part-ownership)	(25)	(28)
Less removal from stock	(23)	(8)
Add: new build properties		21
Add: purchase of properties	25	5
Stock at 31 March	<b>3,653</b>	<b>3,676</b>

The balance sheet includes HRA assets as detailed below.

	2022/23	2021/22
	£000	£000
Balance Sheet values as at 31 March		
Operational Assets: Dwellings	198,042	197,409
Operational Assets: Other Land and Buildings	288	847
Operational Assets: Equipment	658	652
Operational Assets: Infrastructure	830	867
Non-Operational Assets	903	1,110
Assets Under Construction	410	915
	<b>201,130</b>	<b>201,800</b>

## Note 2. Vacant Possession

	2022/23 £000	2021/22 £000
Vacant Possession Value of Dwellings as at January 2023	490,127	488,280
Balance Sheet Value of Dwellings	(198,042)	(197,409)
<b>Economic cost to Government</b>	<b>292,085</b>	<b>290,871</b>

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 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.

	2022/23 £000	2021/22 £000
Balance at 1 April	(3,373)	(3,373)
Amount transferred to Major Repair Reserve during the year	(260)	(3,161)
Appropriations to or (from) HRA Revenue		0
Capital financing	2,183	2,729
Balance at 31 March	(1,923)	(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.

	2022/23 £000	2021/22 £000
Balance at 1 April	(92)	(315)
Contributions during the year	(3,899)	(4,267)
Repairs and maintenance charged	3,991	4,490
<b>Balance at 31 March</b>	<b>0</b>	<b>(92)</b>

## 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:

	2022/23 £000	2021/22 £000
Council dwellings		5,316
Other assets		327
Housing Management Systems		0
Other expenditure		553
		<b>6,196</b>
Financed by:		
Direct Revenue Finance		(2,365)
Government Grant		(2,242)
Earmarked Reserves		
Right to Buy Receipts		(343)
Major Repairs Reserve		(2,729)
Borrowing		1,483
External Finance – S.106		0
		(6,196)

## 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:

	2022/23 £000	2021/22 £000
Sales of Council Houses under Right to Buy (RTB)	(2,809)	(2,937)
RTB Discounts repaid	0	(9)
Council House Mortgage Principal Repayments	0	(57)
	<b>(2,810)</b>	<b>(3,003)</b>

## Note 6. Depreciation of Property Plant and Equipment

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

	2022/23 £000	2021/22 £000
<b>Operational Assets</b>		
Dwellings, other land, buildings	(3,038)	(2,988)
Equipment	(106)	(132)
Non-operational assets	(37)	(30)
	<b>(3,181)</b>	<b>(3,150)</b>

A full valuation of the stock must 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 2022/23 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:

	2022/23 £000	2022/23 £000
Arrears of current tenants (not including current weeks)	632	520
Arrears of former tenants	492	376
<b>Total tenants' arrears at 31 March</b>	<b>1,124</b>	<b>896</b>

During 2022/23 – 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.

## Bad Debts

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:

	2022/23	2021/22
	£000	£000
Balance at 1 April	(482)	(521)
Write off/Write on		30
Provision made in the year		9
Balance as at 31 March		(482)

## Collection Fund Statement

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Council Tax Receivable	-	(83,351)	(83,351)	(79,037)
Business Rates Receivable	(52,070)		(52,070)	(51,293)
Transitional Protection Payments Receivable	-		-	(80)
Reconciliation Adjustments	-	-	-	-
	(52,070)	(83,351)	(135,421)	(130,409)
<b>Contribution to Previous Year Estimated Deficit</b>				
Central Government	-		-	(8,232)
Warwickshire County Council	-	-	-	(1,829)
Rugby Borough Council	-	-	-	(6,612)
Police and Crime Commissioner for Warwickshire	-	-	-	(29)
	0	0	0	(16,702)
<b>Total Income</b>	(52,070)	(83,351)	(135,421)	(147,111)
<b>EXPENDITURE</b>				
<b>Transitional Protection Payments</b>	260	0	260	0
<b>Distribution of Previous Year Estimated Surplus</b>				
Central Government	2,314	-	2,314	-
Warwickshire County Council	463	712	1,174	-
Rugby Borough Council	1,851	103	1,955	-
Police and Crime Commissioner for Warwickshire	-	118	118	-
	4,628	933	5,561	0
<b>Precepts, Demands and Shares</b>				
Central Government	26,100		26,100	26,004
Warwickshire County Council	5,220	62,818	68,038	64,602
Rugby Borough Council	20,880	9,023	29,904	29,436
Police and Crime Commissioner for Warwickshire	-	10,373	10,373	9,799
	52,201	82,214	134,415	129,840
Charges to Collection Fund				
Write offs of uncollectible amounts	(48)	-	-	-
Less: Increase / (Decrease) in Bad Debt Provision	113	240	353	254
Less: Increase / (Decrease) in Provision for Appeals	3,253	-	3,253	4,833
Appeals and List Alterations	(2,129)	-	(2,129)	(3,630)
Cost of Collection Allowance	133	-	133	132
Disregarded Amounts	126	-	126	80
Reconciliation Adjustments	-	-	-	-
	1,448	240	1,736	1,668
<b>Total Expenditure</b>	58,536	83,387	141,972	131,509
<b>Movement on Fund</b>				
(Surplus)/ Deficit arising during the year	6,467	36	6,502	(15,602)
(Surplus)/ Deficit arising at 1 April		(4,187)	(665)	(4,852)
				10,750

(Surplus)/ Deficit arising at 31 March	2,280	(629)	1,650	(4,852)
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## 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 £2,082.17 for 2022/23.

The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, considering 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-	7.87	5/9	3.75
A	6,128.77	6/9	4,020.42
B	9,222.92	7/9	7,214.31
C	10,041.62	8/9	8,945.65
D	6,224.17	9/9	6,468.36
E	4,690.56	11/9	5,812.02
F	3,039.73	13/9	4,473.11
G	1,627.91	15/9	2,831.87
H	70.93	18/9	142.5
			<b>39,911.99</b>
		Less allowance for non-collection	(558.77)
		Contributions in lieu (MOD properties)	131.80
		<b>COUNCIL TAX BASE 2022/23</b>	<b>39,485.02</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 £2,082.17 provided an original estimate of income of £82.214m for 2022/23. The actual income for 2022/23 was £83.351m thus above expectations by 1.38%.

### 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 £129.362m at 31 March 2023 (£131.543m in 2021/22). The non-domestic rating multiplier for 2022/23 was 51.2p (51.2p in 2021/22) and the small business non-domestic rating multiplier was 49.9p (49.9p in 2021/22).

### Note 3. Collection Fund Balance Apportionment

The net surplus on the Collection Fund as at 31 March 2023 of £1.650m will be split between the authorities and recovered in 2022/23 in the following proportions:

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
Central Government	1,140	0	1,140	(2,093)
Warwickshire County Council	228	(481)	(253)	(925)
Police and Crime Commissioner for Warwickshire	0	(80)	(80)	(85)
Rugby Borough Council	912	(69)	843	(1,749)
	<b>2,280</b>	<b>(629)</b>	<b>1,650</b>	<b>(4,852)</b>

The Balance Sheet as at 31 March 2023 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 surplus on the Collection Fund of £0.843m (2021/22 £1.749m) is recognised in the Comprehensive Income and Expenditure Statement in 2022/23 but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

### Note 4. 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.

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£000	£000	£'00	£000
Balance at 1 April	(1,755)	(74)	(1,829)	4,146
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.	2,621	5	2,626	(5,975)
<b>Balance at 31 March 2023</b>	<b>2,621</b>	<b>5</b>	<b>2,626</b>	<b>(5,975)</b>

## **Note 5. 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 – 2022/23 had resulted in an accumulated Safety Net Reserve balance of £2.435m of which the Council's share was £0.627m.

# Independent Auditor Report

**Independent auditor's report to the councilors of Rugby Borough Council**

**Report on the Audit of the Financial Statements**

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**

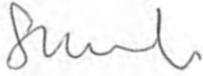
**2022-23**

**RIGHT FOR RUGBY**

# Annual Governance Statement 2022/23

**Mannie Ketley - Executive Director**

Date:



**Councillor xxxxxxxxxxxxxx - Leader of Rugby Borough Council**

Date:

# Glossary

## 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. 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, 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).

### **Department for Levelling Up, Housing and Communities (DLUHC)**

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 several 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 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 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 based on 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 councilors, 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 because 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.



**APPENDIX B**

## **Briefing Note**

# **2022/23 Pre Audit Financial Statements**

## 1. Preparation of Financial Statements

The Financial Statements have been prepared in line with:

- International Financial Reporting Standards (IFRS) as adapted for the Public Sector;
- CIPFA Accounting Code of Practice; and
- Statutory Requirements

The statutory deadline for publishing the Council's Unaudited Financial Statements was 31 May 2023 with the requirement to publish the audited financial statements by 30 September 2023. The Council has met the publishing deadline, only 30% of councils achieved this. The period for public inspection commenced on 1 June 2023 and Interested parties have a right to inspect the accounts for a 30 working day period and local electors have the right to ask questions of the auditor or to make an objection to the auditor on the Financial Statements. The period will end on 12 July 2023.

Grant Thornton are scheduled to start their audit work on 3 July and it is expected that the audit will take six working weeks, spread over the period to 20 August. Any amendments or corrections identified will be then be made and the Audited Financial statements will be presented to the Audit & Ethics Committee at it's meeting on 28 September 2023 for approval and signing.

## 2. Layout of the Financial Statements

The Financial Statements have been set out in a standard format comprising:

- Narrative Report (Page 5)– which sets out details of the Council's major activities and performance during the year;
- Four Primary Statements
  - Comprehensive Income and Expenditure Statements (CIES) (Page 26) – showing the financial performance during the year on a proper accounting basis
  - Movement in Reserves Statement (MiRS) (Page 27) – showing the movement of reserves during the year taking into account the financial performance during the year and the impact of statutory accounting adjustments
  - Balance Sheet (Page 28) – showing the net value of the Council, broken down into separate groupings of a like nature for assets and liabilities
  - Cashflow Statement (Page 29) – shows the impact of the Council's activities during the year on its cashflow position
- Notes (Page 30) supporting and providing more detail on information in the Primary Statements and the risks that the Council faces to its financial position
- Housing Revenue Account (Page 82) – showing the performance in the ring fenced HRA
- Collection Fund Accounts (Page 88) – showing the movements on the Collection Fund relating to Council Tax and Business Rates, and

The Annual Governance Statement (AGS) will also be published as part of the Statement of Accounts.

### 3. Overall messages arising from 2022/23

Please note that the Unaudited accounts do not incorporate the revaluation of Council dwellings, this arises due to delays in the valuer reporting his valuations. As agreed with the Audit Partner, the statements will be updated before being presented for audit.

The major impact to note is the improvement in the Council's Pension balance which is now in an asset position of £6.5m, an improvement of £46.9m on the deficit (liability) reported at 31 March 2022 of £40.4m. This improvement has resulted from the following factors:

- increased interest rates, and the resulting discount factor of 4.75% which exceeds forecast pay and pensions inflation;
- shorter mortality rates for men and women; and
- a small fall in the performance of pension fund assets.  
*(Details can be found in note 34 to the accounts)*

The Council's assets have been fully revalued in the year, as apposed to the cyclical four year pattern, this was considered prudent in the current volatile property market, and it coincided with the last year of the current valuers contract. New valuers are being appointed for the 2023/24 financial year. We are still waiting on the Council dwellings valuation, however the General Fund properties, valued on 30 September 2022, has resulted in a net increase in the valuation of General Fund Land and Buildings of £9.5m.

### Comprehensive Income and Expenditure Statement (CIES) (Page 26)

Within the CIES, the Surplus on the provision of services is £0.489m (2021/22 £0.446m).

Grant funding, set out in note 12, shows a reduction in income, specifically £8m of Covid grants. This is compensated for in the improvement in the reported Housing Revenue Account (HRA) performance (see below).

As a result of reducing our Debt position in 2021/22 and the increased interest rates. Note 10 shows Interest payable has decreased by £0.5m and Interest receivable has increased by £1m.

### Balance Sheet (Page 28)

The Council's Balance Sheet shows the net worth of the entity, which, as a result of the above, has moved from a net asset position of £217m to £272m. An improvement of £55m, £47m of which relates to the improved pension position, and an additional £7.8m collection fund debtors (see below).

Usable reserves (note 22) have increased from £62m to £73m, principally as a result of the transfer to Business Rates Equalisation reserve of the additional £5.7 income received as a result in the delay in the business rates reset, this is earmarked to lessen the impact of a loss in income once reset happens.

### **Housing Revenue Account (Page 82)**

The Housing revenue Account is showing a surplus of £3.9m (2021/22 Deficit of £4.1m). However, it should be noted that downward revaluations of £7.8m were recognised in 2021/22. Any downward revaluation will need to be recognised here. Once the valuer reports his final valuation.

### **Collection Fund (Page 88)**

There is a deficit on the collection Fund for 2022/23 of £1.1m (2021/22 deficit of £1.1m), before the distribution of the previous years surplus. The collection Fund is now in deficit by £1.6m, which will be addressed through the budgeted Council Tax and Business rates set by the Council for 2023/24.

**AGENDA MANAGEMENT SHEET**

<b>Report Title:</b>	Financial Regulations 2023/24
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date of Meeting:</b>	29 June 2023
<b>Report Director:</b>	Chief Officer - Finance and Performance
<b>Portfolio:</b>	Finance, Performance, Legal and Governance
<b>Ward Relevance:</b>	All
<b>Prior Consultation:</b>	Budget Working Group, Audit and Ethics Committee
<b>Contact Officer:</b>	Jon Illingworth, Chief Financial Officer, jon.illingworth@rugby.gov.uk
<b>Public or Private:</b>	Public
<b>Report Subject to Call-In:</b>	No
<b>Report En-Bloc:</b>	No
<b>Forward Plan:</b>	Yes
<b>Corporate Priorities:</b>	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) <a href="#">Corporate Strategy 2021-2024</a> <input type="checkbox"/> This report does not specifically relate to any Council priorities but
<b>Summary:</b>	This is an annual update on the Financial Regulations document.
<b>Financial Implications:</b>	None as a direct result of this report.
<b>Risk Management/Health and Safety Implications:</b>	None as a direct result of this report.

<b>Environmental Implications:</b>	None as a direct result of this report.
<b>Legal Implications:</b>	None as a direct result of this report.
<b>Equality and Diversity:</b>	None as a direct result of this report.
<b>Options:</b>	Not applicable
<b>Recommendation:</b>	The Financial Regulations, as detailed in Appendix 1, be endorsed.
<b>Reasons for Recommendation:</b>	Not applicable

## Audit and Ethics Committee - 29 June 2023

### Financial Regulations

#### Public Report of the Chief Officer - Finance and Performance

##### Recommendation

The Financial Regulations, as detailed in Appendix 1, be endorsed

#### 1. Background

- 1.1. In December 2021 the Financial Regulations were presented to the Audit and Ethics Committee, over the last 18 months the regulations have been reviewed and this report is to provide the committee with an update.

#### 2. Corporate Strategy

- 2.1. The Council's Corporate Strategy has ambitious commitments and is focussed on the delivery of four overarching outcomes – focussing on Rugby as being:
- An environmentally sustainable place, where stakeholders work together to reduce and mitigate the effects of climate change
  - A diverse and resilient economy, which benefits all residents
  - A place where residents are able to live healthy, independent lives, with the most vulnerable protected
  - A Council that is a responsible, effective and efficient organisation
- 2.2. Sound financial management will underpin the success of the delivery of the organisation's aspirations and the publication of the financial regulations will ensure that the Leadership Team understand the important role that the team in ensuring the financial management is the responsibility of everyone in the organisation and not just officers working in the Financial Services Team.
- 2.3. The Financial Regulations, are one part of the suite of financial rules:
- **Constitution** includes Part 3F **Contracts Standing Orders** and Part 3G **Financial Standing Orders** "which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people".
  - **Financial Regulations** set out the key actions that must be taken to implement the Council's Financial standing orders and deliver a Financial Accountability Framework.
  - **Financial Instructions** provide a framework for the regulation of proceedings and the business of the Council. They fulfil the dual role of protecting the Council's interests and protecting staff from any possible accusation that they have acted less than properly.

### 3. CIPFA Financial Management Code

- 3.1. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating financial sustainability.
- 3.2. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
  - financially manage the short, medium and long-term finances of a Local Authority;
  - manage financial resilience to meet unforeseen demands on services; and
  - manage unexpected shocks in their financial circumstances.
- 3.3. The implementation of the CIPFA Financial Management Code has previously been reported to the Committee and the Council was required to demonstrate its commitment to achieve the requirements of the code from 1 April 2021. Compliance with the code is being reviewed as part of the internal audit plan.
- 3.4. Although not a specific requirement of the FM code, the regulations and the Leadership Team commitment to financial management demonstrates the underlying principles of the FM code:
  - **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - **Accountability** – based on a medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
  - **Financial management** – undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and councillor decision making.
  - **Adherence to professional standards** - promoted by the Leadership Team and is evidenced.
  - **Sources of assurance** – these are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
  - **Long-term sustainability of local services** – this is at the heart of all financial management processes and it evidenced by prudent use of public resources.

### 4. Financial Regulations

- 4.1. The financial regulations are included in Appendix 1 of the report and have been broken down into key principles. Under each principle it highlights the responsibility of the Chief Executive, the Deputy Chief Executive, the Chief Financial Officer and wider Chief Officers.
- 4.2. Following the internal review by the Budget Working Group it can be confirmed that there are no significant changes to the document.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 29 June 2023

**Subject Matter:** Financial Regulations 2023/24

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



**APPENDIX 1**

# **Financial Regulations**

**March 2023**

## FINANCIAL REGULATIONS

The Financial Regulations set out the key actions that must be taken to implement the Council's Financial standing orders and deliver a Financial Accountability Framework. More detailed advice on the day-to-day administration of the Council's finance will be set out in the Financial Management section of the Council's internal and external communication channels.

The Chief Officer - Finance and Performance is responsible for establishing these Regulations and keeping them under regular review to ensure that they continue to reflect best practice to achieve proper financial management across the Council.

### FR1 Revenue and Capital Budget Allocations & Approvals

**The Chief Officer - Finance and Performance will: -**

- i. determine the format and timetable for the completion of the Medium-Term Financial Plan (including the Budget and Capital Programme).
- ii. co-ordinate its production for approval.
- iii. co-ordinate actions to deliver a balanced and sustainable budget
- iv. develop a prioritisation process for considering competing capital and revenue business case
- v. determine and advise Cabinet and Council on all long-term funding decisions associated with the Capital Programme.
- vi. prepare a report as part of the annual budget setting process to gain the agreement regarding any fees and charges levied by the Council, following consultation with the Cabinet Member for service proposing the fee.

**Executive Director and Heads of Service (Chief Officer) will: -**

- vii. be responsible for preparing and providing information for the content of revenue and capital estimates, which will be prepared in conjunction with the Chief Officer - Finance and Performance.
- viii. develop proposals to achieve a balanced budget in accordance with guidance issued by the Chief Officer - Finance and Performance
- ix. maintain systems to assess the level of demand for their services and predict how this may change over time along with the impact on future financial plans.
- x. ensure that net expenditure plans (revenue and capital) in their areas of responsibility does not exceed the annual budgets set for their services and projects.
- xi. comply with all laid down financial, professional, management, legal and ethical standards.

## **FR2 Managing the Revenue Budget and Capital Programme**

### **Revenue Budget Approvals**

- I. After Council has approved the annual Medium Term Financial Plan, the service revenue budgets for each Service must be prepared, in consultation with the Chief Officer - Finance and Performance by 31 March, within the parameters and policies contained within the incorporated budget.
- II. Once approved will give authority for revenue expenditure to be incurred provided
  - a. it complies with the Council's Financial Regulations and Standing Orders
  - b. is cash limited and should not be exceeded without prior consent of Cabinet.

### **Capital Programme Management**

- III. The Capital Programme gives approval for Capital Projects to be implemented subject to the HM Treasury's Better Business Case approvals procedure. To compliment this, once approve the scheme must follow the internal governance gateway procedure which has been based on Prince 2 project management principles

### **Revenue & Capital Budget Variations**

- IV. A business case must be prepared for any new in year capital or revenue spending that exceeds the threshold limits within the Council's Constitution, in a format set by the Chief Officer - Finance and Performance. All new capital spending will be subject to the process set out above.

### **Use of Reserves**

- V. Reserves may only be used to the extent and for the purpose agreed by Council. No reserves can be created or used without the approval of Cabinet or Council, as advised by the Chief Officer - Finance and Performance.

### **Carry Forward Arrangements**

- VI. Any capital or revenue underspends may only be carried forward with the consent of the Cabinet, on the advice of the Chief Officer - Finance and Performance
- VII. At the year-end Chief Officers may submit proposals to carry forward monies for specific purposes subject to recommendation of the CFO and the consent of Cabinet.

### **FR3 Final Accounts & Year End Procedures**

- i. The Chief Officer - Finance and Performance must make arrangements for the accurate and timely production of the Council's accounts. Including
  - Selecting Accounting Policies for the preparation of accounts
  - Determining the timetable for the production of the accounts
  - Managing the consolidation of financial information
  - Reporting the Council's outturn to Cabinet and for producing the Council's Statement of Accounts for approval by the Audit and Ethics Committee.
- ii. Each Chief Officer plays a key role in enabling the Chief Officer - Finance and Performance to discharge their responsibilities in relation to the accounts. Each Chief Officer
  - is responsible for closing service team accounts in accordance with accounting principles, and guidance notes and timetable provided by the Chief Officer - Finance and Performance to ensure compliance with the Accounts and Audit (England) Regulations 2015 and subsequent amendments.
  - is responsible for providing the Chief Officer - Finance and Performance and the Property Manager with an accurate and up to date list of assets within the assets register on 31 March.
  - must maintain prime documentation used in the preparation of the Accounts to provide a clear audit trail and in line with any requirements of the Council's External Auditors.
  - must produce completed grant claims and necessary supporting documentation to and for inspection by the Chief Officer - Finance and Performance in a format prescribed by him/her.

### **FR4 Corporate Financial Systems**

- i. The Chief Officer - Finance and Performance will need to approve the specification, prior to tendering, for any system which will feed into the Council's corporate financial systems.
- ii. Each Chief Officer must consult the Chief Officer - Finance and Performance before making any significant changes to corporate financial systems or any subsidiary systems that are within their control.

- iii. Each Chief Officer must ensure that, wherever possible, the Council's corporate financial systems, are used by all appropriate employees within his / her areas of responsibility.
- iv. Each Chief Officer must ensure that if standalone systems are used, irrespective of whether these feed into the Council's corporate financial systems or not, they have adequate prevention and detection controls and prior approval has been obtained from the Chief Officer - Finance and Performance to use the system(s).
- v. Each Chief Officer must ensure that appropriate disaster recovery and business continuity arrangements are in place and tested on a regular basis to ensure that the data held in core systems is safe and secure and can be recreated where necessary.

#### **FR5 Value for Money**

- i. Best value and value for money must be sought in all activities, including the procurement of goods and services and the disposal of assets
- ii. The Chief Officer - Finance and Performance has overall responsibility for ensuring that the council's financial arrangements deliver value for money
- iii. Each Chief Officer must ensure that actions are taken to deliver services in accordance with agreed performance standards and demonstrate that they are delivering value for money.
- iv. Each Chief Officer must ensure that Contract Standing Orders are followed when ordering goods and services to achieve value for money
- v. Each Chief Officer must comply with the requirements of the Monitoring Officer to achieve best value in the disposal of council assets including land and property.
- vi. Each Chief Officer must prepare, monitor, and present appropriate performance management information to assure members that they are delivering economic, efficient, and effective services.

#### **FR6 Risk Management**

- i. Each Chief Officer must ensure they have identified, evaluated (using the Council's corporate risk management methodology) and recorded the risks, financial or otherwise, which exist within their area of service delivery.
- ii. Each Chief Officer must take all reasonable steps to mitigate existing and emerging risks facing the council and ensure that there are appropriate insurance arrangements in place to manage those unmitigated risks.

- iii. The Chief Officer - Finance and Performance will report to Cabinet and the Audit and ethics Committee periodically on progress towards delivery of the Risk Management Strategy and on the Council's key risks
- iv. Each Chief Officer must appoint a risk owner for all key risks managed within their service and ensure there are adequate controls, procedures, and resources in operation, to manage the identified key risks and take appropriate action to mitigate the risks.

#### **FR7 Insurance**

- i. The Chief Officer - Finance and Performance in consultation with Chief Officers is responsible for determining the Council's policy in terms of insurable risks.
- ii. Each Chief Officer is responsible for ensuring any risk management processes identify, evaluate and record both insurable and uninsurable risks.
- iii. Each Chief Officer is responsible for minimising the risks from insurance claims and must ensure that procedures are in place to do so.

#### **FR8 Internal Audit**

- i. The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance Manager to provide an annual Internal Audit opinion and to review the Council's financial records and operations.
- ii. The role of the Corporate Assurance Manager is to provide an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk, and control framework (the control environment)
- iii. The Corporate Assurance Manager on the authority of the Chief Officer - Finance and Performance, shall have authority to:
  - a) enter any Council premises or land at all reasonable times.
  - b) have access to all records, documents, data, and correspondence relating to all transactions of the Council, or unofficial funds operated by an employee as part of their duties.
  - c) require any employee of the Council to provide such explanations, information, or any other assistance necessary concerning any matter under audit examination.
  - d) require any employee of the Council to produce cash, stores, or any other property under his / her control, belonging to the Council or held as part of the employee's duties.

- iv. This will apply equally to organisations which have links with or provide services on behalf of the Council (e.g., wholly owned companies, voluntary organisations or other agents acting on behalf of the Council) where the Council has a statutory or contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered with such organisations.
- v. Internal Audit will notify the results of internal reviews in writing to Chief Officers. Further information can be found in the approved Internal Audit Charter.
- vi. Each Chief Officer must ensure there is an open, honest, transparent, and accountable culture in operation within their area of responsibility and must make its services available as and when required for audit both internally and externally.

#### **FR9 External Audit**

- i. The Council has approved the use of Public Sector Audit Appointments (PSAA) for the appointment of external auditors in line with the requirements of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015.
- ii External Audit has the same access rights as internal audit and reports directly to the Audit and Ethics Committee, who approve the Council's accounts.
- iii The key responsibilities of the Chief Officer - Finance and Performance with regard to External Audit are to:
  - a) maintain accounting records and prepare statements of account.
  - b) liaise and work with External Audit on a regular basis.
  - c) receive and deal with all queries relating to the work of the Council from External Audit. Chief Officers and their designated officers should not deal directly with External Audit on matters of accounting principles. These queries / concerns should be directed through the Chief Officer - Finance and Performance.
  - d) inform External Audit of all fraudulent cases that have been referred to the Police.

#### **FR10 Irregularities, Fraud and Corruption**

- i. All employees and Members have a duty to report any unlawful or potential unlawful spending or financial irregularity at the earliest opportunity.

- ii. The Chief Officer - Finance and Performance is responsible for deciding on the action to be taken to investigate all matters of suspected financial irregularities, including referring the matter to the Police.
- iii. Each Chief Officer must ensure that the Chief Officer - Finance and Performance, Corporate Assurance, and Improvement Manager and, if applicable, the Monitoring Officer, are notified immediately whenever a matter arises which involves, or is thought to involve, any financial irregularities, fraud and corruption.
- iv. Each Chief Officer must follow the requirements of the Anti-Fraud Strategy, Anti-Money Laundering policy, the Criminal Acts Procedure, and the Confidential Reporting (Whistle blowing) Code and Public Interest Disclosure Act 1998. Further information is contained in the Anti Fraud, Bribery and Corruption Strategy.

#### **FR11 Income and Banking**

- i. Only the Chief Officer - Finance and Performance or authorised representative where applicable, shall have authority to:
  - Operate all such bank accounts considered necessary.
  - Approve all dealings and arrangements with the Council's bankers.
  - Authorise the ordering of cheques and make proper arrangements for their safe custody.
  - Approve and sign all alterations and amendments to cheques.
  - Make all requests for Council credit cards.
  - Ensure that all cheques drawn on the Council's main banking accounts bear the facsimile signature of the Chief Officer - Finance and Performance or be signed in manuscript by the Chief Officer - Finance and Performance or authorised representative.
- ii. The Chief Officer - Finance and Performance will prepare and seek Cabinet approval for a debt write off policy, setting out the arrangements for reviewing and writing off irrecoverable debts.
- iii. The Chief Officer - Finance and Performance must report, all write-offs to the Cabinet in accordance with the procedures and limits detailed in the Council's Constitution.
- iv. Each Chief Officer must ensure that all systems and procedures relating to income and banking:
  - Have adequate prevention and detection controls.

- Are in accordance with the Accounts and Audit (England) Regulations 2015.
  - Each transaction is identified, recorded, and accounted for, and sums received kept secure and promptly banked.
  - Comply with the requirements of the income and banking section of the Financial Instructions.
  - Comply with the Council Constitution
- v. Each Chief Officer must maintain an up-to-date list of authorised signatories in accordance with the procedures and limits which will be held corporately.

## **FR12 Orders and Payments**

- i. Each Chief Officer must ensure that all expenditure is lawful (intra vires), has been properly authorised and all necessary processes have been complied with. Additionally, each Chief Officer must ensure there are adequate controls and procedures in operation within their areas of responsibility to ensure:
- The Council's Contract Standing Orders are followed.
  - Orders are only raised where there is sufficient budget remaining to cover all costs associated with the order, considering likely future commitments as well as the cost relating to a particular order.
  - Wherever possible orders are only raised under contracts or frameworks which have been centrally negotiated.
  - Orders are raised, processed and paid using Accounts Payable and in accordance with the procedures and limits detailed within the Financial Services internal communication page, unless it has been authorised by the Chief Officer - Finance and Performance, not to do so.
  - Goods and services are ordered and paid for, which are for official purposes and help the effective operation of the Council.
  - Payments are only made on appropriately certified documents (i.e. invoices, payment request forms etc.) and in accordance with the procedures and limits detailed within the Financial Services internal communication page.
  - Orders and payments are accounted for in accordance with the procedures and limits detailed within the Financial Services internal communication page.
  - A list of officers authorised to certify payments is maintained in accordance with the procedures and limits detailed within the Financial Services internal communication page.

- Salaries, wages, gratuities, compensation, voluntary redundancy payments and other emoluments are paid in accordance with the procedures and limits detailed within the Financial Services internal communication page.

### **FR13 Grants to Outside Bodies**

- i. Grants to outside bodies must follow the Council's Conditions of Grant Aid.

### **FR14 Council Applications for Grant Funding**

- i. The Chief Officer - Finance and Performance will issue guidelines for each service to follow, for any bids for grants, company or partnership funding, or applications submitted any external organisation for financial support towards the costs of Council projects / programmes or where the Council is otherwise involved.

### **FR15 Accountable Body Roles**

- i. Each Chief Officer must ensure that all accountable body arrangements comply with all legal requirements and relevant Council procedures, and that arrangements are in place to identify and manage the associated financial, reputational and performance risks.

### **FR16 Companies & Partnerships**

- i. Where a Chief Officer feels that it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company or otherwise), the relevant Chief Officer should consult with the Monitoring Officer and the Chief Officer - Finance and Performance and comply with procedures.
- ii. Each Chief Officer must notify the Monitoring Officer and the Chief Officer - Finance and Performance of any changes in relation to membership or financial management of any company formed by the Council to discharge its services or function.

### **FR17 Treasury Management**

- i. The Council has adopted CIPFA's Treasury Management in the Public Services: code of Practice and Cross Sectorial Guidance Notes, including the clauses below:

- ii. The Council will create and maintain, as the cornerstones for effective treasury management:
  - (a) a treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities
  - (b) suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- iii. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the circumstances of the Council. Such amendments will not materially deviate from the Code's key principles.
- iv. The Council will receive reports on its treasury management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year. Cabinet will as a minimum receive a mid-year review and an annual report after the year end, in the form prescribed in its TMPs.
- v. Responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance (Section 151) Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- vi. The Audit and ethics Committee shall be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies and shall be responsible for reviewing the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and TMPs.
- vii. Employees of the Council must not invest Council monies, or borrow, or enter into currency exchange or hedging transactions without a written delegation from the Chief Finance (Section 151) Officer.
- viii. All money in the custodianship of the Council should be under the control of the Chief Officer - Finance and Performance.

## FR18 Property

- i. The Property Manager (in consultation with the Head of Communities and Home for the Housing Revenue Account) must prepare and keep under review an
  - a. **Estates Strategy** setting out longer term plans for the rationalisation and management of the Council's property portfolio.

- b. **Asset Management Plan**, setting out arrangement to maintain existing council assets
- ii. Plans for the significant rationalisation or expansion of the estate and provision for its maintenance should be included in the Capital Strategy. The plans shall contain revenue and capital implications along with the impact of the estate changes.
- iii. The purchase and disposal of land and property shall have due regard to:
  - a. Any appropriate extant professional advice.
  - b. Appropriate professional and governmental circulars.
  - c. The duty to achieve best value in the disposal of assets.

### **Disposals**

- iv. Disposal of property will generally be either an auction or competition. When disposal is by negotiation:
  - a. There will be an independent valuation of the property
  - b. The Property Manager shall consult in writing with the Chief Officer - Finance and Performance where disposal is less than the market value/best consideration

**AGENDA MANAGEMENT SHEET**

**Report Title:** Treasury Management 2022/23 – Annual Report

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 29 June 2023

**Report Director:** Chief Officer - Finance and Performance

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** All

**Prior Consultation:** Not applicable

**Contact Officer:** Dawn Lewis Ward, Lead Accountant, dawn.lewis-ward@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** Yes

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**Summary:** The report sets out the Treasury Management activities for 2022/23.

**Financial Implications:** None as a direct result of this report. The report ensures that Cabinet is aware of the final Treasury Management position for 2022/23.

<b>Risk Management/Health and Safety Implications:</b>	Risk management considerations are set out within the report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.
<b>Legal Implications:</b>	There are no legal implications for this report.
<b>Equality and Diversity:</b>	There are no equality and diversity implications for this report.
<b>Options:</b>	As this report complies with the Treasury Management Code of Practice, which was approved by Council, no other options have been considered.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1) The Treasury Management report for 2022/23 be considered.</li> <li>2) The actual treasury management indicators be noted.</li> </ol>
<b>Reasons for Recommendation:</b>	To provide councillors with relevant information to make informed decisions around Treasury Management Activity and, in line with best practice, comply with the Code of Practice.

**Audit and Ethics Committee - 29 June 2023**

**Treasury Management 2022/23 – Annual Report**

**Public Report of the Chief Officer - Finance and Performance**

**Recommendation**

- 1) The Treasury Management report for 2022/23 be considered.
- 2) The actual treasury management indicators (Appendix A) be noted.

**1. Introduction**

- 1.1. On 22 February 2022, in accordance with the CIPFA Code of Practice for Treasury Management in the Public Sector, Council approved the Treasury Management Strategy for 2022/23. The Code requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year and this is reported to both Cabinet and the Audit and Ethics Committee
- 1.2. The Treasury Management Annual report for 2022/23 was presented to Cabinet on 26 June and can be found using the following link:  
<https://www.rugby.gov.uk/meetings/meeting/1372/cabinet>

**2. In-year Monitoring and Reporting**

- 2.1. During 2022/23, a treasury dashboard has been developed to support the ongoing monitoring of the day-to-day treasury activity, of which an example can be found in Appendix 1.
- 2.2. Throughout 2023/24 the dashboard will be reviewed and refined, if required.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 29 June 2023

**Subject Matter:** Treasury Management 2022/23 – Annual Report

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

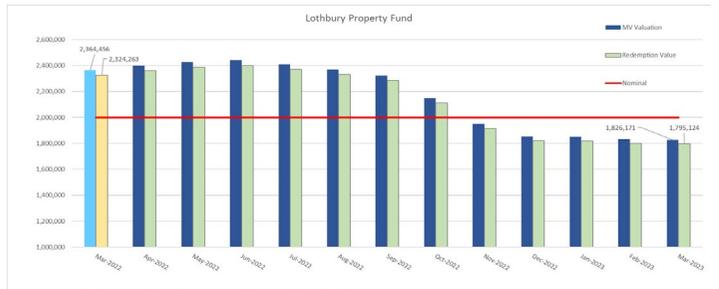
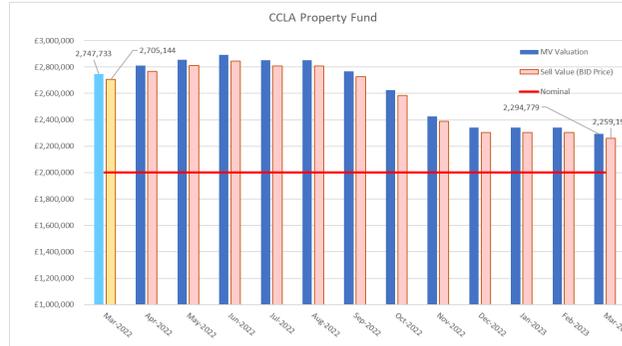
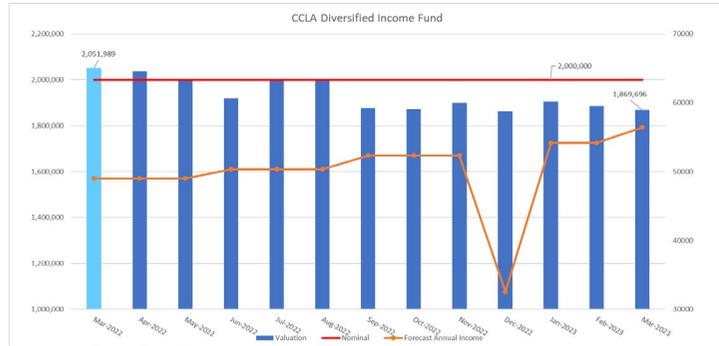
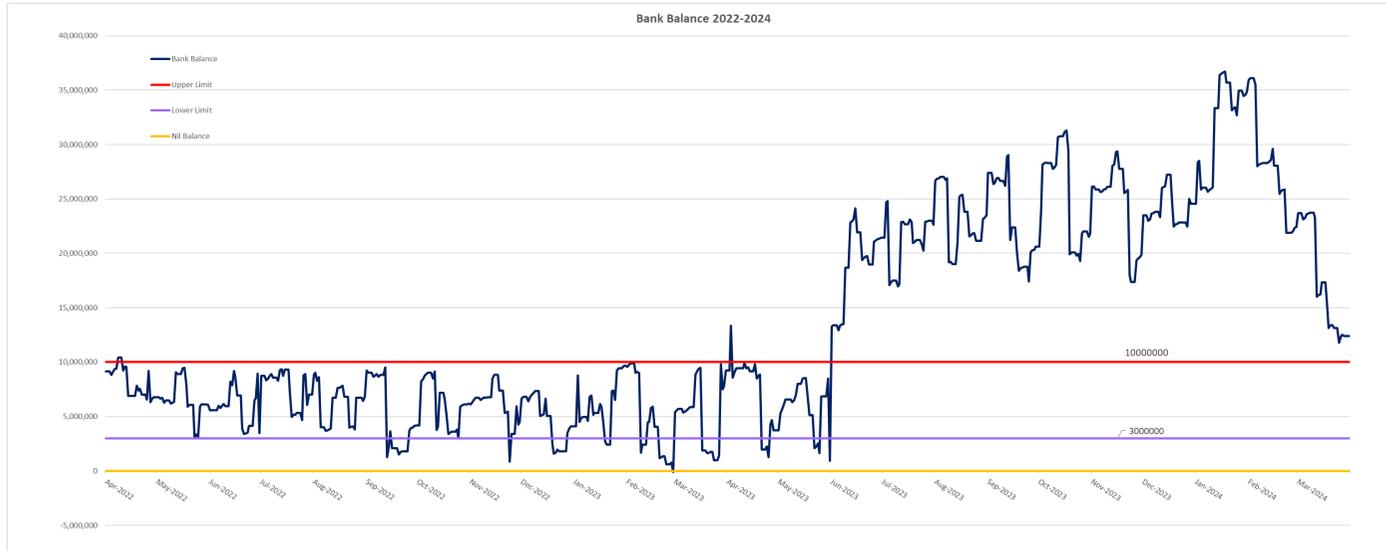
The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>





**AGENDA MANAGEMENT SHEET**

<b>Report Title:</b>	Anti-Fraud, Bribery and Corruption Strategy
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date of Meeting:</b>	29 June 2023
<b>Report Director:</b>	Chief Officer - Finance and Performance
<b>Portfolio:</b>	Finance, Performance, Legal and Governance
<b>Ward Relevance:</b>	None
<b>Prior Consultation:</b>	Chief Officer for Finance and Performance, Leadership Team, Management Team
<b>Contact Officer:</b>	Chris Green, Corporate Assurance Manager and Transformation Lead, <a href="mailto:chris.green@rugby.gov.uk">chris.green@rugby.gov.uk</a>
<b>Public or Private:</b>	Public
<b>Report Subject to Call-In:</b>	No
<b>Report En-Bloc:</b>	No
<b>Forward Plan:</b>	No
<b>Corporate Priorities:</b>	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) <a href="#">Corporate Strategy 2021-2024</a> <input type="checkbox"/> This report does not specifically relate to any Council priorities but
<b>Summary:</b>	The report sets out an updated Anti-Fraud, Bribery and Corruption Strategy, and Fraud Response Plan, for endorsement. The report also presents the Annual Fraud report for 2022/23.
<b>Financial Implications:</b>	No direct implications.

<b>Risk Management/Health and Safety Implications:</b>	If the Audit and Ethics Committee does not endorse the strategy, the Council will not have a clear approach to managing the risk of fraud, bribery and corruption. This would increase the risk of financial loss and reputational damage.
<b>Environmental Implications:</b>	There are no environmental implications arising from endorsement of the strategy and response plan.
<b>Legal Implications:</b>	None
<b>Equality and Diversity:</b>	There are equality and diversity implications arising from endorsement of the strategy and response plan.
<b>Options:</b>	None
<b>Recommendations:</b>	(1) IT BE RECOMMENDED TO CABINET THAT the Anti-Fraud, Bribery and Corruption Strategy, and Fraud Response Plan be approved; and  (2) the Annual Fraud Report be noted.
<b>Reasons for Recommendations:</b>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee - 29 June 2023**

**Anti-Fraud, Bribery and Corruption Strategy**

**Public Report of the Chief Officer - Finance and Performance**

**Recommendations**

(1) IT BE RECOMMENDED TO CABINET THAT the Anti-Fraud, Bribery and Corruption Strategy, and Fraud Response Plan be approved; and.

(2) the Annual Fraud Report be noted.

**1. Introduction**

- 1.1 The previous Anti-Fraud, Bribery and Corruption Strategy was approved in 2016, whilst the Fraud Response Plan was last reviewed in 2019.
- 1.2 Whilst both the Strategy and Response Plan continued to be generally fit for purpose, good practice indicates both should be subject to a formal periodic review, revision and approval.

**2. Report Details**

- 2.1 The revised Strategy and Response Plan are set out at Appendices A and B respectively. They provide an opportunity to reinforce the Council's approach and to revisit staff training and awareness, and to encourage reporting of concerns or suspicions.
- 2.2 There are no major changes to the Strategy or Response Plan. The most significant changes are as follows:
  - To emphasise the importance of the role of the Finance team in applying controls such as budget monitoring and checks on expenditure with new suppliers.
  - To reflect the more modern ways of reporting, where applicable links have been added on the Response Plan to enable individuals to more easily report their concerns online without having to search for other websites.
- 2.3 The Committee is responsible for oversight of the effectiveness of the Council's counter fraud activity. To assist the Committee in the discharge of these responsibilities an annual report has been produced setting out the work which has been carried out internally during the last year, under the three key principles of:

- a) Acknowledging and understanding fraud risks;
- b) Preventing and detecting fraud; and
- c) Pursue – being stronger in punishing fraud and recovering losses

2.4 The Annual Report, which is set out at Appendix C, also summarises the work planned in 2023/24 to embed the Anti-Fraud, Bribery and Corruption Strategy.

**Name of Meeting:** Audit and Ethics Committee  
**Date of Meeting:** 29 June 2023  
**Subject Matter:** Anti-Fraud, Bribery and Corruption Strategy  
**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**       YES       NO

**LIST OF BACKGROUND PAPERS**

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



**APPENDIX A**

# **Rugby Borough Council Anti-Fraud Bribery & Corruption Strategy**

June 2023

## Document History

Version	Date	Notes	Prepared by
0.1	01/03/2023	First Draft	Chris Green
0.2	05/06/2023	Final Draft	Chris Green
0.3	29/06/2023	Approval by Audit & Ethics Committee	Chris Green

## RUGBY BOROUGH COUNCIL

### ANTI-FRAUD, BRIBERY & CORRUPTION STRATEGY

#### 1 Introduction

- 1.1 Rugby Borough Council is committed to safeguarding public funds, assets and maintaining the highest standards of probity. In order to fulfil this commitment, the Council has a zero tolerance approach to fraud, bribery and corruption.
- 1.2 This document sets out the Council's strategy in relation to fraud, bribery and corruption and its commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds and assets.
- 1.3 The adoption of a formal strategy provides an opportunity to communicate to the community involved with the Council our absolute determination to deal with dishonesty, whether involving Councillors, employees, contractors or customers. It sets out the steps that the Council is taking to maintain and improve its defences against fraud and misappropriation as well as targets against which we can measure our performance.
- 1.4 This strategy outlines how the Council manages the risk of fraud, bribery and corruption through existing governance structures, policies, procedures and control processes, and how these are to be augmented with a variety of proactive counter fraud measures that are intended to develop and embed a strong anti-fraud culture.
- 1.5 This strategy is not just concerned with reactive operational activity to detect and investigate fraud, bribery and corruption, but it also sets out the objectives for pro-active actions to deter and prevent fraud and corruption through the development of an anti-fraud and corruption culture and a strong system of internal controls and reviews.
- 1.6 Underpinning the approach adopted by the Council is the Fighting Fraud and Corruption Locally Strategy 2020 and the CIPFA Code of Practice on Managing the Risk of Fraud 2014, which underpins the following five key pillars as the foundations of an effective anti-fraud framework:
  - **Govern:** Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organization.
  - **Acknowledge:** Assessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that the organization has a robust anti-fraud response. Communicating the risks to those charged with governance.
  - **Prevent:** Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture, and communicating its activity and successes.

- **Pursue:** Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.
- **Protecting:** Recognising the harm that fraud can cause in the community. Protecting the Council and its residents from fraud.

- 1.7 All successful criminal and civil proceedings for fraud, bribery or corruption against suppliers, service providers or individuals, either within or external to the Council, will be publicised in accordance with the Council's Communication strategy.
- 1.8 This strategy and the various policies which support it will be reviewed periodically to ensure they remain current and satisfy best practice requirements.

## 2 How the Council Manages the Risk of Fraud & Corruption

### Policies, Procedures and Codes

- 2.1 The Council has a duty to protect public money that it controls from loss due to dishonesty. It also has a duty to provide assurance to the local community and to other stakeholders that it is taking its responsibilities seriously.
- 2.2 The Council is committed to the maintenance of a robust framework of procedures and policies, which are designed to combine and act proactively as an effective deterrent to fraudulent activity and provide the means for reporting or detecting fraud, bribery or corruption.
- 2.3 The Council secures the protection and proper administration of public funds and assets through robust working methods and procedures, and by promoting an environment of openness, honesty and integrity in order to ensure the proper use and protection of public funds and assets.
- 2.4 The Council's governance framework provides a whole range of high level component parts which contribute to the Council having an effective counter fraud strategy and governance structure.

### Corporate Governance Framework

- A clear governance structure, for example:
  - Council Constitution
  - An established Audit and Ethics Committee
  - An established Scrutiny Committee
  - An External Audit regime
  - An Internal Audit function

## Corporate Governance Framework

- Clear written responsibilities, accountabilities, and standards, for example:
  - Codes of conduct for Members
  - Codes of conduct for Officers
- Sound procedures and controls, for example:
  - Financial Standing Orders
  - Contract Standing Orders
  - Declaration of interest and gifts and hospitality procedures for Members and Officers
  - Recruitment procedures
  - Disciplinary Procedure
- Procedures for reporting irregularities and concerns, for example:
  - Confidential Reporting Code (“Whistleblowing” Policy)
  - Fraud Response Plan
  - Customer Feedback Policy (Complaints Procedures) available to the public
- Senior Officers of the Council with direct responsibility for tackling fraud, bribery, corruption and other irregularities
  - Chief Executive holding overall responsibility for the Council’s fraud, bribery and corruption strategy
  - A Chief Officer Finance & Performance (s151 officer) with statutory responsibility for the oversight of all financial affairs
  - A Chief Officer for Legal and Governance (Monitoring Officer) with overall responsibility for the operation of the Confidential Reporting Code, Register of Interests, and the Gifts and Hospitality Register
  - A Corporate Assurance Manager with oversight over the annual programme of anti-fraud, bribery and corruption work
- A clear programme of anti-fraud, bribery and corruption work
  - Risk management and proactive prevention and detection work undertaken by the Corporate Assurance Team
  - Finance Business Partners conducting budget monitoring and sample testing of transactions

## Corporate Governance Framework

- Reactive investigations managed by the Corporate Assurance Team
  - Participation in the National Fraud Initiative
  - Anti-fraud, bribery and corruption training to Members and Officers
    - Training is provided on:
      - Governance
      - Anti-Fraud and Probity
  - Engagement with key partners
    - Membership of the National Anti-Fraud Network
    - Membership of the CIPFA Fraud Network
- 2.5 These components provide a framework within which the Council operates. Having clear policies ensures clarity about both individual accountabilities and the appropriate approach to be taken during any investigation regarding suspected fraud, bribery or corruption which also contributes to the promotion of an anti-fraud culture.
- 2.6 Managers should ensure that all current Council corporate documents and policies are considered for fraud and corruption exposure as part of the periodic review of documents. Any future Council corporate documents will be subject to fraud exposure assessment.
- 2.7 Fraud exposure assessments of contracts with external providers will be reviewed on a regular basis at intervals to be determined by management.

## Internal Control Systems

- 2.8 The Council has adopted a Constitution incorporating contract procedure rules, financial procedure rules and various other rules and codes of conduct that provide a requirement on Officers, when dealing with the Council's affairs, to act in accordance with best practice.
- 2.9 The Chief Officer Finance and Performance has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts & Audit Regulations (England) as the "responsible financial officer", he is required to determine the accounting control systems which include:
- measures to enable the prevention and detection of inaccuracies and fraud
  - identification of the duties of officers dealing with financial transactions
  - division of responsibilities of those officers in relation to significant transactions
- 2.10 The Council's aim is to embed sound financial systems and procedures with appropriate, efficient, and effective, internal controls. Separation of duties should be considered as a fundamental control in systems, especially when involving significant financial transactions. An appropriate division of responsibilities is a key control in the prevention of impropriety.

- 2.11 Under the Council's Financial Procedure Rules, the Chief Officer Finance and Performance is responsible for ensuring that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Corporate Assurance Team.
- 2.12 As part of the Council's published accounts each year, a formal statement is produced which describes the Internal Control Systems and provides an assessment of their effectiveness. This Annual Governance Statement is designed to provide assurance to external parties of the quality of the Council's governance arrangements and demonstrates effective stewardship of the public funds entrusted to the Council.
- 2.13 This network of systems and procedures to assist in safeguarding public funds and assets against fraud, bribery and corruption is well established and has been in place for many years. However, the Council is determined to keep pace with future developments and therefore this strategy will build on the existing arrangements to ensure they remain current and comply with best practice.
- 2.14 Lessons learned reports will be produced whenever the Council has been subject to fraud in order that anti-fraud measures are improved following such an incident.

### **3 Identifying Fraud and Corruption Risks**

- 3.1 The CIPFA Code of Practice on Managing the Risk of Fraud recommends that Councils evaluate their fraud exposure, in order to allocate resources to combat fraud more effectively. The Council evaluates its fraud exposure by a bi-annual fraud and bribery risk assessment of existing governance structures, policies, procedures and control processes within the Council which is carried out by the Corporate Assurance Team. The results of this risk assessment are used to inform a program of targeted proactive anti-fraud, bribery and corruption work to be conducted by the Corporate Assurance Team at the Council.
- 3.2 The risk of fraudulent and or corrupt activity is included in the Council's risk management arrangements. Where appropriate, specific risks of fraud are recorded on departmental risk registers.
- 3.3 Fraud, bribery and corruption risks are also managed within the Council by Service Managers and Chief Officers, who are responsible for assessing the potential for fraud, bribery and corruption within their own Service's activities. Managers are best placed to monitor and evaluate the effectiveness of the Council's systems of internal control within their areas of responsibility by:
  - ensuring that internal controls to prevent fraud, bribery and corruption exist and are adequate; and
  - ensuring that controls, checks and supervision, associated with the operations for which they are responsible, operate in such a way as to prevent or detect fraudulent activity.
- 3.4 Internal Audit undertakes independent assessments of the key risks and associated controls

within systems across the Council.

#### **4 Creating and Maintaining a Strong Anti-Fraud Culture**

- 4.1 High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. The Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.
- 4.2 The Council's endorsement of this Strategy sends a clear message that fraud against the Council will not be tolerated and, where reported or identified, will be dealt with in a professional and timely manner using all the necessary sanctions that are available. Through the creation and enhancement of a strong anti-fraud culture the Council aims to deter potential perpetrators from targeting its finances and services.
- 4.3 There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and integrity and that Council employees or its agent(s) at all levels will lead by example in these matters.

#### **Members**

- 4.4 The responsibility for an anti-fraud culture is the collective duty of all those involved in giving political direction, determining policy and management.
- 4.5 The Council expects its Councillors to lead by example at all times and to maintain the highest standards of probity, honesty, transparency, integrity and accountability in their role as Councillors.
- 4.6 The Council promotes and maintains high standards of Member conduct. Members are required to observe the Member's Code of Conduct. In particular Members are required to operate within:
  - Member's Code of Conduct
  - Sections 94-96 of the Local Government Act 1972
  - Local Authorities Members' Interest Regulations 1992 (SI 618)
  - Council Procedure Rules
- 4.7 The Council has an Audit and Ethics Committee which has a key role in reviewing and ensuring that there are adequate arrangements in place to deal with fraud and corruption. This includes responsibility for approving and supporting this Strategy.

#### **Officers of the Council**

- 4.8 A successful anti-fraud culture is one where acts of fraud, bribery and corruption are widely

recognised as unacceptable behaviour and whistleblowing is perceived as public-spirited action. The Council has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the Officers of the Council.

- 4.9 All Officers must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. This Code is referred to in all Contracts of Employment. Officers of the Council are also expected to follow any code of conduct related to their personal professional institute.
- 4.10 The Council has in place disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.

### **Training**

- 4.11 The Council recognises that the continuing success of this strategy will depend largely on the effectiveness of programmed fraud awareness training, communication and responsiveness of Officers throughout the Council.
- 4.12 To facilitate this, the Council provides induction training and follow-up training for all Members and Officers; this applies particularly to those involved in internal control systems and financial and finance-related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced, and to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.

## **5 Adequate and Appropriate Resources**

- 5.1 The Corporate Assurance Team are responsible for coordinating the investigation of fraud, bribery and corruption and are provided with access to the Council's employees, records, premises and other assets or resources as required.
- 5.2 Whilst the Corporate Assurance Team has an important role to play in the detection of fraud, it is not their sole responsibility but a shared responsibility with all Officers and members of the Council.
- 5.3 The Officers responsible for conducting anti-fraud, bribery and corruption work are trained and professionally accredited. This includes, where appropriate, relevant qualifications such as counter fraud accreditation training.
- 5.4 The level of counter fraud resource required is regularly reviewed in line with the annual fraud report, internal audit plan and in accordance with the risk management strategy.
- 5.5 An annual programme of anti-fraud, bribery and corruption work is conducted by the Corporate Assurance Team which reports to, and whose work is monitored by, the Audit and Ethics Committee.
- 5.6 Anti-fraud work is integrated within the annual programme of work undertaken by Internal Audit. The Corporate Assurance Manager provides an independent opinion on the adequacy and

effectiveness of the systems of governance, risk management and internal control based on the work undertaken during the year. Whilst it is not a primary function of Internal Audit to detect fraud, internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

## **Working with Others to Prevent and Fight Fraud**

- 5.7 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is conducted in full compliance with the *Data Protection Act 2018* and with the National Fraud Initiative Code of Data Matching Practice, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases, legal proceedings and disciplinary action may be taken that could lead to criminal convictions, civil recovery action and dismissal.
- 5.8 The Council will liaise where appropriate with outside organisations, including neighbouring councils, to encourage closer working, intelligence sharing and formalising joint working through the implementation of working protocols, subject to the use of appropriate legal gateways to sharing of information and resources.

## **6 Tacking Action to Tackle Fraud and Corruption**

### **Deterrence**

- 6.1 There are a number of methods which the Council uses to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:
- Publicising the fact that the Council will not tolerate fraud, bribery and corruption and will state this at every appropriate opportunity – e.g. publicising the whistleblowing arrangements, clause in contracts, statements on claim forms, publications etc.
  - Acting robustly and decisively when fraud, bribery and corruption are suspected and proven – e.g., the termination of contracts, dismissal, prosecution etc.
  - Taking action to effect the maximum recoveries for the Council – e.g. through agreement, court action, penalties, insurance etc.
  - The Council's communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
  - Having sound internal control systems, that still allow for innovation, but at the same time minimise the opportunity for fraud and corruption.

## **Prevention**

- 6.2 Managers across the Council have an important role to play in the prevention of fraud, bribery and corruption. They are responsible for assessing the potential for fraud, bribery and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk.
- 6.3 The Corporate Assurance Team will provide appropriate advice, as and when appropriate, to managers to ensure they are fully aware of the requirement to give sufficient emphasis to the preventative aspects of fraud and corruption work.
- 6.4 The Internal Audit Plan and programme of anti-fraud, bribery and corruption work conducted by the Corporate Assurance Team includes work based on key risk areas as identified under the Council's risk management arrangements. This programme of work is not restricted solely to the investigation of detected fraud but also includes proactive assurance work intended to detect, deter and prevent fraud.

## **Detection, Whistleblowing and Reporting Fraud**

- 6.5 The Anti-Fraud, Bribery & Corruption Response Plan provides a clear pathway for raising concerns and facilitating "tip-offs" of allegations of fraud, bribery or corruption, and the fraud-response arrangements outlined in that document, enable such information or allegations to be dealt with accordingly.
- 6.6 The Council's Confidential Reporting Code (Whistleblowing Policy) also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.
- 6.7 The Monitoring Officer has overall responsibility for the maintenance and operation of the Council's Confidential Reporting Code (Whistleblowing Policy), Register of Interests, and the Gifts and Hospitality Register.
- 6.8 All Officers and Members of the Council are encouraged to use the whistleblowing procedures to report any allegations of fraud, bribery and corruption against the Council. Further information on raising a genuine concern under the whistleblowing procedures can be found in the Confidential Reporting Code.
- 6.9 The Council's whistleblowing arrangements will be reviewed on a regular basis against best practice from Public Concern at Work and updated accordingly. This will include testing staff confidence in the whistleblowing arrangements and ensuring that the policy is communicated to and accessible to all employees and contractors. In addition, the arrangements for members of the public to raise fraud concerns will be reviewed.

## **Investigation**

- 6.10 Investigations into allegations of fraud, bribery or corruption are supervised by the Corporate Assurance Team, which is led by the Corporate Assurance Manager. All Members and Officers of the Council are required to report all suspected irregularities or allegations involving fraud, bribery or corruption to the Corporate Assurance Team who will then inform the s151 officer

(Chief Officer Finance & Performance).

- 6.11 The central reporting of suspected irregularities and allegations of fraud, bribery and corruption to the Corporate Assurance Team is essential to the Strategy and ensures:
- consistent treatment of information regarding fraud, bribery and corruption
  - proper investigation by an independent and experienced person
  - that system and procedural weaknesses are promptly identified and addressed
  - proper implementation of a fraud response investigation plan
  - optimum protection of the Council's interests
- 6.12 Depending on the nature and anticipated extent of the allegations, the Corporate Assurance Team will normally work closely with management, personnel, legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 6.13 The Council's disciplinary procedures will be used where the outcome of the investigation indicates improper behaviour.
- 6.14 Where a fraud has occurred, action will be taken by management to ensure that any control weaknesses which provided the opportunity for the fraud to occur are addressed. Any lessons learnt will be disseminated to all relevant departments within the Council.

### **Sanctions and Redress**

- 6.15 Where financial impropriety is discovered, whether perpetrated by Officers, Members or third party organisations (e.g. suppliers, contractors, and service providers), the Council will consider appropriate action.
- 6.16 Referral to the Police is a matter for the Chief Executive and the s151 officer (the Crown Prosecution Service determines whether or not a prosecution will be pursued).
- 6.17 Referral to the Police will not inhibit action under the Council's Disciplinary Procedures. Cases of fraud or corruption may represent gross misconduct and consequently the Officer may be liable for dismissal.
- 6.18 The Chief Executive, Monitoring Officer, and Legal team will advise on the course of action to be taken in relation to Members.
- 6.19 Suspected financial impropriety by any organisation which has caused the Council to be a victim of fraud, bribery or corruption will be the subject of an investigation. If proven, this could result, for example, in the termination of an individual contract and may result in prosecution.
- 6.20 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. In the case of an employee, the loss may be recovered from any monies due to the individual on termination of employment.

## 7 Defining Success

7.1 Success will be measured by focusing on the real outcomes achieved from the key actions outlined in this strategy. The outcomes to be measured will include the following:

- awareness levels demonstrated at the end of completed training
- reports of suspicions
- successful investigations
- sanctions applied
- financial losses recovered and where appropriate financial savings

7.2 Achievements against these desired outcomes, and the actions taken to minimise future cases of fraud, will be contained in an annual fraud report, and periodic updates to the Audit and Ethics Committee.

## **Annex A – Glossary**

### **Annual Governance Statement**

The Annual Governance Statement is a statutory requirement of the Accounts and Audit (England) Regulations. It is the platform to formally state an opinion on the systems of internal control including the arrangements for the management of risk with recommendations given for future improvements to the systems.

### **Anti-Fraud, Bribery and Response Plans**

The Fraud Response Plan sets out how to report allegations of fraud, bribery and corruption, and how they are dealt with.

### **Audit and Ethics Committee**

The Audit & Ethics Committee oversees the environment of internal control, risk management and anti-fraud and corruption arrangements within the Council. They consider the Annual Governance Statement and Annual Statement of Accounts and quarterly reports from Internal and External Audit to ensure the effectiveness of this environment.

### **Bribery**

Bribery is offering something of value for the purpose of influencing the action of a person when they are undertaking their public or legal duties.

### **Chief Officer Finance & Performance**

See S151 Officer.

### **Corporate Assurance Manager**

The Corporate Assurance Manager reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit & Ethics Committee via the Annual Governance Statement.

### **Corporate Assurance Team**

A dedicated Internal Audit with fraud capability for delivery of an annual programme of proactive and reactive anti-fraud, bribery and corruption work

### **Chief Officers**

Chief Officers are the senior managers of the Council.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

### **Corruption**

Improper and usually unlawful conduct intended to secure a benefit for oneself or another.

### **Council**

Rugby Borough Council

### **Crown Prosecution Service**

The CPS is the principal prosecuting authority in England and Wales. In addition to prosecuting cases at court, the CPS is responsible for advising the police on cases for possible prosecution and reviewing the case evidence

### **Chief Executive**

Head of Paid Service for the Council with overall responsibility for tackling fraud, bribery and corruption at the Council. This role is held by Mannie Ketley.

### **External Audit**

External audit is an annual independent examination designed to form an opinion on the state of the Council's financial management and its published annual accounts. The external auditors provide assurance to residents and councillors that the Council's finances are soundly managed and the annual accounts present a true and fair view of the Council's income and expenditure assets.

### **Financial Standing Orders**

Financial Regulations provide the framework for managing the Council's financial affairs, provide clarity about the financial accountabilities of individuals and set out overarching financial responsibilities of the statutory s151 officer.

### **Fraud and Corruption**

When these terms are used in conjunction, their definition can include acts such as abuse of position, bribery, collusion, concealment of material facts, conspiracy, deception, embezzlement, extortion, false representation, failing to disclose information to the Council, forgery, giving or accepting of an advantage, misappropriation or theft.

### **Internal Audit**

Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.

### **Internal Audit Plan**

This is a work plan developed annually by Internal Audit which sets out a schedule of audits used to provide assurance to the Council on the effectiveness of internal controls.

### **Internal Controls**

Processes tailored to the Council's structure, work, delegation of authority rules, people and management information systems, which are designed to help the Council accomplish specific goals or objectives, such as preventing fraud, bribery or corruption.

### **Irregularity**

An irregularity is a breach of a convention or normal procedure.

### **Money Laundering**

The process by which proceeds of crime or terrorism funds are legitimised. It relates to both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods.

### **Monitoring Officer**

The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and the Local Government Act 2000. The role is further defined in the Council's Constitution. Currently this role is held by the Chief Officer Legal & Governance.

### **National Fraud Initiative**

Exercises which match electronic data within and between public sector bodies and systems to help public bodies prevent and detect fraud and overpayments.

### **Public Concern at Work**

Public Concern at Work is an independent authority on whistleblowing. It provides free help to prospective whistle blowers and advice on whistleblowing laws.

### **Section 151 Officer**

As required by the Local Government Act 1972, the Section 151 Officer is nominated to take responsibility for making arrangements for the proper administration of a local authority's financial affairs including advising on anti-fraud and corruption strategies and measures. The Council's Section 151 Officer is the Chief Officer Finance & Performance.

### **Separation of Duties**

An internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task.

### **Strategy**

This Anti-Fraud, Bribery and Corruption Strategy document.



**APPENDIX B**

# **Rugby Borough Council Fraud, Bribery & Corruption Response Plan**

June 2023

## Document History

Version	Date	Notes	Prepared by
0.1	01/03/2023	First Draft	Chris Green
0.2	05/06/2023	Final Draft	Chris Green
0.3	29/06/2023	Approval by Audit & Ethics Committee	Chris Green

## **1. INTRODUCTION**

- 1.1 Rugby Borough Council is committed to the highest possible standards of openness, probity and accountability in all its affairs. It is determined to embed a culture of honesty and opposition to fraud, bribery and corruption.
- 1.2 In line with that commitment, the Council's Anti-Fraud, Bribery and Corruption strategy outlines the principles to which we are committed in relation to preventing, reporting and managing fraud, bribery and corruption.
- 1.3 This Response Plan reinforces the Council's robust approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud, bribery or corruption. It also outlines how the Council will deal with such allegations.

## **2. DEFINITION OF FRAUD, BRIBERY AND CORRUPTION**

- 2.1 Fraud is defined as any intentional act or omission taken by an individual, group or organisation, which is designed to deceive, and which facilitates a dishonest gain at the expense of (or loss to) the Council, the residents of the Rugby Borough, or the wider national community. Fraud can include:
  - Fraud by false representation;
  - Fraud by failing to disclose information; and
  - Fraud by abuse of position.
- 2.2 Fraud by false representation occurs where a person makes any representation as to fact or law, express or implied, which they know to be untrue or misleading.
- 2.3 Fraud by failing to disclose information occurs where a person fails to disclose any information to a third party when they are under a legal duty to disclose such information.
- 2.4 Fraud by abuse of position occurs where a person occupies a position where they are expected to safeguard the financial interests of another person, and abuses that position. This includes cases where the abuse consists of an omission rather than an overt act.
- 2.5 Corruption is defined as an act done with the intent to give some advantage which is inconsistent with a public servant's official duty and the rights of others.

In the public sector it can also be defined as abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism and embezzlement.

### **3. WHAT SHOULD YOU DO IF YOU SUSPECT FRAUD, BRIBERY OR CORRUPTION?**

- 3.1 The methods for reporting suspected fraud, bribery and corruption are laid out below. Advice and guidance can be obtained from the Corporate Assurance and Manager on 01788 533451 if you are in any doubt about the seriousness of your concern.
- 3.2 **What should an employee do if they suspect fraud, bribery or corruption?**  
Employees, partners, the public and contractors are often the first to realise that there is something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. Employees, partners, the public and contractors should be aware that if there is a suspicion of fraud then they are obliged to report it.
- 3.3 The Council's Confidential Reporting Code is intended to encourage and enable staff to raise serious concerns within the Council rather than overlooking a problem, informing the media or other external bodies. The Code has been discussed with the relevant trade unions and has their support. A full copy of the Confidential Reporting Code can be obtained from the Council web-site.
- 3.4 In essence, employees should raise their concerns with their line manager or supervisor, who will in turn inform the Corporate Assurance Manager. Under the terms of the policy staff can alternatively contact their Chief Officer, the Chief Executive, the Monitoring Officer, or a number of prescribed external bodies directly as listed in the policy.
- 3.5 Should a member of staff choose to report their concerns anonymously their anonymity will be respected as far as possible although it cannot be guaranteed. The Public Interest Disclosure Act provides protection to staff and contractors making such disclosures where they have a genuine concern.

**3.6 The individual making reporting the concern (or their line manager) must not do any of the following:**

- **Do not** contact the suspected perpetrator in an effort to determine facts or demand restitution.
- **Do not** discuss the case facts, suspicions, or allegations with anyone.
- **Do not** attempt to personally conduct investigations or interviews or question anyone.

**3.7 What should a manager do when suspected fraud, bribery or corruption is reported to them?**

- **Do** listen to the concerns of the individual reporting the concern and treat every report you receive seriously and sensitively. Record the key points of the issue sufficiently to pass on to the Corporate Assurance Manager.
- **Do** reassure the individual that is reporting the concern that they will not suffer because they have told you of their suspicions.
- If the person reporting the concern provides evidence that supports the allegation then **do** make sure it is kept in a safe and secure place and cannot be interfered with. **Do not** go looking for, or collecting additional evidence.
- **Do** contact the Corporate Assurance Manager immediately following discussion with the individual reporting the concern and pass on any information you have including the record of the concern raised.
- **Do not** try to carry out an investigation yourself (including speaking to the person the allegation has been made against). This may compromise the internal investigation or any criminal enquiry.
- **Do not** divulge anything to the individual that the allegation is against.
- Should the Corporate Assurance Manager require any further assistance they will be in touch.

**3.8 What should Human Resources do if they suspect fraud, bribery or corruption?**

Issues concerning staff performance or behaviour are investigated under the Council's disciplinary procedures by managers in partnership with Human Resources. If the relevant Human Resources Officer or manager suspect that an issue involves potential fraud, bribery or corruption then the HR Manager should be informed immediately. The HR Manager will then alert the Corporate Assurance Manager, who will in turn inform the Chief Officer Finance & Performance (s151 officer). The Corporate Assurance Manager will assess whether the nature of the allegations fall within the scope of the Fraud Response Plan. For example, irregularities on timesheets or travel and subsistence claims are potentially fraudulent acts.

Similarly once an investigation begins, should fraud, bribery and corruption issues emerge, the Corporate Assurance Manager should be contacted as soon as possible for advice on how to proceed. Interviews should only take place once this advice has been received (which may include an agreement on which issues should proceed and others which should not) to ensure, as far as possible, that any evidence collected will not adversely impact any potential criminal investigation.

**3.9 What should Auditors do if they suspect fraud, bribery or corruption?**

If an Auditor in the course of his or her duties suspects fraud, bribery or corruption they should cease work on the assignment immediately, and report the matter to the Corporate Assurance Manager.

**3.10 What should a member of staff handling a complaint do if they suspect fraud, bribery or corruption?**

Any suspicions of financial irregularity that may be included in a complaint or comment should be referred to the Corporate Assurance Manager immediately upon receipt. Allegations of fraud, bribery and corruption should be treated through this procedure rather than through the corporate complaints procedure as the timetable for investigating and reporting on complaints does not apply to complaints of financial misconduct.

**3.11 What should a member of the public, a partner or a contractor do if they suspect fraud or corruption?**

The Council encourages members of the public, partners or contractors to contact the Council should they suspect fraud or corruption.

If the matter relates to a Councillor, Council employee or an individual working on behalf of the Council including agency workers and contractors, a referral can be made directly to the Corporate Assurance Manager on 01788 533451, by email ([chris.green@rugby.gov.uk](mailto:chris.green@rugby.gov.uk)), or by writing to:

The Corporate Assurance Manager  
Rugby Borough Council  
Evreux Way  
Rugby  
CV21 2RR

Allegations of benefit fraud can be made online at: [www.gov.uk/report-benefit-fraud](http://www.gov.uk/report-benefit-fraud) or via the National Benefit Fraud Hotline (NBFH) on 0800 854440. Alternatively allegations of benefit fraud can be made in writing to:

NBFH  
PO Box 224  
Preston  
PR1 1GP

### 3.12 **Alternative Methods of reporting fraud, bribery and corruption**

- Councillors – for those living within the Rugby Borough Council boundary, reports may be made to Councillors who will then report the concern to the Chief Executive, the Monitoring Officer and/ or the Leader. Details of all Councillors are available on the website.
- Trade Union Representatives – employees may invite their Trade Union to raise a matter on their behalf. The union representative would then follow the employee process for onward reporting as detailed above.
- The Police – suspicions of fraud, bribery or corruption may be reported directly to the police online at:  
[www.warwickshire.police.uk/ro/report/fo/v1/fraud/](http://www.warwickshire.police.uk/ro/report/fo/v1/fraud/)  
The Council will fully support any resulting police investigation.
- The Action Fraud Hotline on 0300 123 2040 or at:  
[www.actionfraud.police.uk/reporting-fraud-and-cyber-crime](http://www.actionfraud.police.uk/reporting-fraud-and-cyber-crime)
- The Local Government Ombudsman on 0300 061 0614 – this is an independent body set up by the Government to deal with complaints against Councils in the United Kingdom. The Ombudsman will raise any concerns via the Council's legal department.
- Public Concern at Work – this is a charity which provides free and strictly confidential legal help to anyone concerned about a malpractice which threatens the public interest. They operate a helpline on 020 7404 6609 or can be emailed at [whistle@pcaw.org.uk](mailto:whistle@pcaw.org.uk)

### 3.13 **How will the Council deal with allegations of fraud or corruption?**

The Council will deal with any allegation of fraud in the most appropriate manner depending on the circumstances of the case. This may include following the complaints process, the disciplinary process and/ or a criminal investigation process. All investigations will be conducted in accordance with the relevant Council policies and procedures and where appropriate criminal legislation.

In the first instance a suitably trained impartial investigator will be appointed. They will conduct a preliminary investigation and report (verbally or in writing) to the relevant member of the Leadership Team, who in conjunction with Human Resources will decide on the most appropriate process to follow. Options at this stage may include:

- not progressing the investigation any further,
- identification and rectification of system weaknesses, and/ or
- further investigation (disciplinary and/ or criminal).

The Council acknowledges that those people who reported the alleged fraud or corruption need to be assured that the matter has been properly addressed.

Thus, subject to legal constraints, they will receive appropriate information about how the matter is being addressed and the final outcome.

All interviews with staff will be conducted in line with the Council's disciplinary procedures. If there is a possibility that the investigation could lead to a criminal prosecution then any interviews will be conducted by a suitably trained Council officer. This may mean that disciplinary interviews need to be conducted by a trained fraud investigator (i.e. an investigator trained in the Police and Criminal Evidence Act 1984 Code of Practice).

Once the investigation has been completed, a report will be prepared which states the facts discovered by the investigation. A recommendation will be made as to the appropriate course of action to be followed. This can include a disciplinary hearing, criminal proceedings or no further action.

#### **4. FOLLOW UP**

- 4.1 The Council will seek to recover any financial loss through the appropriate mechanism. This may involve either civil or criminal proceedings where it is in the public interest to do so.
- 4.2 Investigations may identify weaknesses in the Council's system of internal controls. Risk assessments will be carried out where weaknesses in the system of internal control are identified. In these circumstances a report will be issued which sets out recommendations for how the controls can be improved to prevent any recurrence of fraud, bribery or corruption. The recommendations for improvement will be incorporated within an action plan. Delivery of the action plan will then be monitored by the Corporate Assurance team. The results of investigations will be used to inform the annual internal audit plan.
- 4.3 The Audit & Ethics Committee will receive a verbal update on allegations received, and investigation work carried out, at each Committee meeting. An annual report on the outcomes of investigations will also be reported to the Audit & Ethics Committee; this report will be published.



**APPENDIX C**

# **RUGBY BOROUGH COUNCIL**

## **ANNUAL FRAUD REPORT**

**2022-23**

**Date: 29 June 2023**

## Annual Fraud Report 2022/23

### **1. BACKGROUND**

- 1.1 Responsibility for Benefit fraud investigation was transferred to the Department for Work and Pensions (DWP) back in 2015. Since this time corporate fraud investigation remains the responsibility of the Council.
- 1.2 This report highlights the work which has been carried out internally under the three key principles of:
  - Acknowledging and understanding fraud risks;
  - Preventing and detecting fraud; and
  - Pursue – being stronger in punishing fraud and recovering losses

### **2. ACKNOWLEDGING AND UNDERSTANDING FRAUD RISKS**

- 2.1 All public bodies are at risk from fraud in one form or another. Acknowledging this fact is vital in developing an effective anti-fraud response. Individual services need to understand where the risk of fraud lies and the consequences of those frauds (whether that be financial, reputational or another consequence) to enable them to develop an appropriate risk based response.
- 2.2 Key to this is an effective counter fraud culture that reinforces the Council's zero tolerance towards fraud. This culture should enable individuals to identify potential fraud and empower them to report their concerns in a safe and secure manner to the appropriate people at the right time.
- 2.3 During 2022/23, work completed to acknowledge and understand fraud risk included:
  - Fraud and theft risks were evaluated and tested as part of the audits of Procurement & Contract Management, Growth Hub Grants, NNDR, Corporate Credit Card, Right to Buy, and Licensing. In all cases except the Corporate Credit Card, the overall level of assurance was Substantial. The Corporate Credit card audit highlighted that monitoring controls need to be enhanced to reduce the risk of inappropriate expenditure being incurred. Sample testing, however, did not highlight any transactions which appeared to be of an inappropriate nature.

- Completion of one corporate investigation.
- An independent external review of the Council's framework for managing fraud, bribery and corruption was completed, and this provided a Substantial level of assurance.
- The Anti Fraud, Bribery and Corruption Strategy and Response Plans were reviewed and updated, and are being presented to the Audit & Ethics Committee for endorsement in June 2023.

### **3. PREVENTING AND DETECTING FRAUD**

- 3.1 Although the detection and recovery of fraudulently obtained finance and assets is important, it is also costly and there is no guarantee that lost monies will be recovered. Therefore it is imperative that the Council takes all reasonable steps to prevent fraud from entering its systems in the first place.
- 3.2 The protection of assets is one of the five key items of an effective control environment, and thus plays a critical role in the work of internal audit. When determining the annual audit plan, as well as scoping the work programmes for individual assignments, the Corporate Assurance Team considers those areas at risk of fraud. Internal Audit testing is designed to ensure that sufficient coverage is given to the identification and testing of anti-fraud controls within the areas being reviewed, in order to assess their effectiveness and where appropriate recommend improvements.
- 3.3 A Fraud Response Plan is in place, reviewed and updated in early 2023, which reinforces the Council's robust approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud, bribery or corruption. It also outlines how the Council will deal with such allegations. Training on the Fraud Response Plan has also been provided to the Corporate Management Forum, Members and over 100 officers below the manager grade. In addition in 2019/20 all officers were asked to confirm via metacompliance that they had read and understood the strategy and response plan; this was complemented by a quiz to confirm the level of understanding. Further staff training and awareness activity will be undertaken in 2023/24.

3.4 During 2022/23, in addition to the internal audit highlighted above, work to prevent and detect fraud included the following:

**2022-23 NFI Outcomes**

- The Council participates in the National Fraud Initiative (NFI). The NFI is a Cabinet Office initiative matching data from a number of public and private organisations to identify potential fraud. The Council has taken the following action so far in relation to the 2022-24 exercise:

<b>171</b>	Number of matches reviewed
<b>0</b>	Number of frauds identified
<b>1</b>	Number of errors identified
<b>£1,299</b>	Amount of Housing Benefit overpayments identified

- There has been one Housing Benefit overpayment identified so far during the 2022-24 NFI exercise. This was a taxi driver whom’s earnings had not been correctly assessed. This has been corrected and the overpayment is being recovered through a reduction in weekly benefit.

**Internal Investigations 2022-23**

- There was one internal fraud investigation completed during 2022/23. The investigation was conducted by Internal Audit in partnership with Human Resources and the relevant service area. £600 has been recovered as a result of this investigation.

<b>1</b>	Number of allegations of fraud/ financial misconduct reported
<b>1</b>	Number of investigations completed
<b>1</b>	Number of resignations/ dismissals arising from investigations
<b>0</b>	Number of cases where other action was taken (including management advice and/ or warnings)
<b>0</b>	Number of cases where no issue was identified

#### **4. PURSUE: BEING STRONGER IN PUNISHING FRAUD AND RECOVERING LOSSES**

- 4.1 Where fraud is discovered the full range of sanctions will be used by the Council including civil, disciplinary and criminal action.
- 4.2 As a matter of routine, all overpaid monies are considered for recovery where appropriate. Increases in Council Tax liability due to the removal of single person discounts are pursued through increases to the individual Council Tax bill and collected as part of normal Council Tax collection processes.
- 4.3 As noted above, £600 has been recovered as a result of an internal investigation in 2022/23. The Council is also continuing its efforts to recover losses arising from a previous investigation in 2021/22.

#### **5. WORK PLANNED FOR 2023/24**

- 5.1 In addition to the ongoing participation in the National Fraud Initiative for 2023 – 2024, further internal audit work is being completed during 2023/24 in support of the Counter Fraud, Bribery and Corruption Strategy. This work includes testing of controls designed to prevent or detect fraud, bribery and corruption in the following areas/ systems:
- Housing Benefits
  - Sundry Debtors
  - Housing Rents
  - Transaction Testing
  - Transport – Fuel Usage
  - Benn Hall
  - Bereavement Services
  - Property Repairs including Stock Control
- 5.2 In addition, further staff training and awareness activity will be undertaken; the precise nature of which will be discussed and agreed with the Leadership Team.